

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



166.3

M68

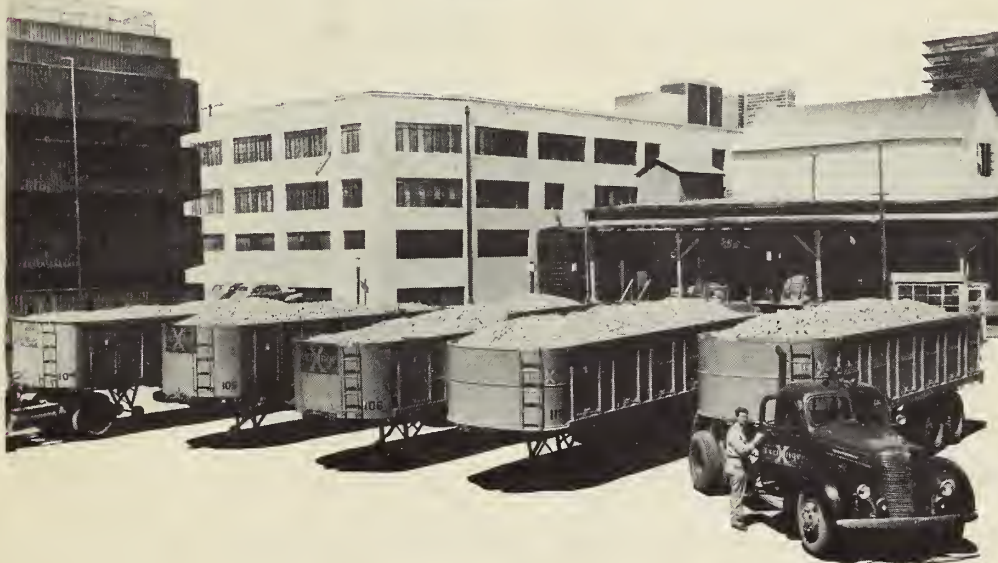
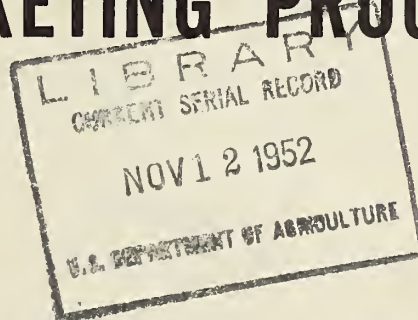
Fig. 2

*Selected*

*Industry-Wide*

# FRUIT MARKETING PROGRAMS

BY HUGH C. KIGER



Based on a study conducted with funds provided by the  
Agricultural Marketing Act (RMA Title II)

COOPERATIVE RESEARCH AND SERVICE DIVISION  
FARM CREDIT ADMINISTRATION  
U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

UNITED STATES DEPARTMENT OF AGRICULTURE  
FARM CREDIT ADMINISTRATION  
WASHINGTON 25, D. C.

I. W. OUGGAN, GOVERNOR

COOPERATIVE RESEARCH AND SERVICE DIVISION

HAROLD HEDGES, CHIEF

JOSEPH G. KNAPP, ASSOCIATE CHIEF

CONTENTS

	<i>Page</i>		<i>Page</i>
Summary . . . . .	i-iii	<b>The California State Marketing Order for Lemon Products . . . . .</b>	<b>37</b>
Introduction . . . . .	1	Purpose . . . . .	37
<b>British Columbia Tree Fruits Limited . . . . .</b>	<b>2</b>	The lemon products advisory board . . . . .	37
History and background . . . . .	2	Policy of the board . . . . .	39
British Columbia apple production and utilization . . . . .	4	Functions of the board . . . . .	39
The Natural Products Marketing (British Columbia) Act . . . . .	6	Lemon prorate program . . . . .	43
Structure of the association . . . . .	8	Allocations and by-products . . . . .	43
Three-way contract . . . . .	10	Outlook for lemon products . . . . .	44
Financing the agency . . . . .	15		
Membership relations . . . . .	15	<b>The Marketing Agreement and Order for California Dried Prunes . . . . .</b>	<b>45</b>
Market characteristics . . . . .	16	Grade and size regulation . . . . .	46
Marketing practices . . . . .	19	Inspection . . . . .	47
Processing - B.C. Processors Limited . . . . .	23	Salable and surplus percentages . . . . .	48
Sales organization and policy . . . . .	25	Marketing Outlets . . . . .	49
Advertising . . . . .	26	Diversion privileges . . . . .	50
Prices . . . . .	27	Disposition of surplus tonnage . . . . .	50
<b>The Ontario Peach Growers' Marketing-for-Processing Scheme . . . . .</b>	<b>31</b>	Expenses and proceeds . . . . .	52
Agricultural Products Marketing Act (Canada) 1949 . . . . .	31	Supplementary programs . . . . .	52
Farm Products Marketing Act (Ontario) 1937 . . . . .	32		
Local board . . . . .	34	<b>Appendix . . . . .</b>	<b>53</b>
The negotiating committee . . . . .	35		
Marketing . . . . .	36		

COPIES OF THIS PUBLICATION MAY BE HAD ON REQUEST  
WHILE A SUPPLY IS AVAILABLE FROM THE  
DIRECTOR OF INFORMATION AND EXTENSION  
FARM CREDIT ADMINISTRATION  
U. S. DEPARTMENT OF AGRICULTURE  
WASHINGTON 25, D. C.



## SUMMARY

The interdependence between agriculture and the rest of the economy in both Canada and the United States has been emphasized during the past 25 to 30 years as agricultural industries have become increasingly specialized. To help resolve some of the marketing problems arising from specialization, agricultural producers in these countries have secured Government marketing legislation for a number of agricultural industries.

This study describes in detail four representative marketing programs operating under Government legislation in Canada and the United States, aiding producers many of whom are members of marketing cooperatives. The programs examined in this study relate to the British Columbia tree fruit industry in British Columbia, peaches-for-processing in Ontario, California lemon products and California dried prunes. Although these four programs are only a sample of the existing programs, they serve to illustrate the variety of approaches adopted for dealing with marketing problems.

All four programs share a number of characteristics. Each program is:

- (1) Planned to assure stabilized and orderly distribution of the commodity;
- (2) Aimed to help the producer get maximum returns from his product;
- (3) Adopted by a majority of producers;
- (4) Regulated by legislation giving the industry necessary authority and control to conduct an effective program;
- (5) Financed by an assessment, collected from those who participate, to cover expenses of administering the program;
- (6) Designed to influence the amount of the product sold in each market outlet;
- (7) Custom-made for a product grown in a relatively concentrated area; and
- (8) Subject to provisions for grade and size regulations.

The two Canadian programs operate under Provincial legislation which provides that where the majority of producers of a commodity desire to sell their product collectively, the minority may be compelled by law to join in a common sales policy.

The British Columbia Natural Products Marketing Act enabled tree fruit producers in that province to designate a selling agency through which all tree fruits would be sold. A three-man Fruit Board composed of growers designated the cooperative, the British Columbia Tree Fruits Limited, as the one-desk selling agency for all tree fruits in British Columbia. This agency is a grower-owned grower-operated sales agency.

This agency (1) collects an assessment from all growers to pay the expenses of operating the agency, (2) operates a pooling system for all fruit, (3) establishes grades and shipping regulations, (4) sells all tree fruit produced in the area, (5) conducts the necessary advertising and merchandising program, and (6) works closely with the grower-owned

processing agency in its attempt to get maximum returns for producers. This program has been in operation since 1939 and is popular with a large majority of the tree fruit producers in the province.

The Ontario Peach Growers' Marketing-for-Processing Scheme is representative of about 15 Ontario agricultural products which are covered by marketing schemes (orders, or programs). This scheme was put into effect in 1938 under provisions of the Farm Products Marketing Act (Ontario). After the scheme had operated two years, 98 percent of the producers of peaches-for-processing voted for the scheme.

The Act provides that the Ontario Farm Marketing Board will administer the Act and supervise the operation of each scheme. The peaches-for-processing scheme in Ontario is administered by a board of seven producer members called the Ontario Peach Growers Marketing Board. The powers of this local board are delegated by the provincial board.

The peaches-for-processing scheme provides for a negotiating committee of three growers and three processors. This committee may negotiate and reach agreements relating to (1) minimum prices, (2) forms of contract, (3) conditions of sale, (4) grades and price differentials between grades, and (5) fulfilment of contracts. If this committee cannot reach an agreement, the matters in dispute are referred to a negotiating board, consisting of one grower, one processor, and a third member selected by these two members. If the board cannot reach a decision, the provincial Board itself sets the minimum price and terms of contract.

At the present time, both the growers and processors seem in favor of the peach marketing scheme. The scheme has contributed to better producer-processor understanding as well as the joint interests of the two groups in more efficient production, quality maintenance and increasing volume of sales. It has contributed to cost reductions and pooling of knowledge for their mutual interests.

The California State Marketing Order for Lemon Products is similar to other California State marketing orders. All State orders are designed to assure stabilized and orderly distribution of the product concerned. This order attempts to stabilize the supply and price of lemons to processors and to equalize the burden of surplus diversion.

The lemon products order is administered by a Lemon Products Advisory Board consisting of eight members representing both producers and processors (cooperative and non-cooperative). The board is responsible for (1) setting a free tonnage percentage for sale in processed outlets without restriction--and a stabilization--surplus--pool tonnage percentage, (2) disposing of the stabilization pool tonnage, (3) setting grade and size regulations on lemons for processing, (4) promoting the sale of lemon products, and (5) conducting or arranging for research relating to distribution, production, processing, and minimum quality specifications for processed lemon products.

This order together with the Federal lemon prorate gives the industry a rigid allocation of all lemons to the various marketing outlets. Thus, the industry attempts to allocate sales on the fresh market, to set up a free tonnage, and to dispose of the stabilization pool tonnage in order to attain maximum returns for lemon producers.

The Federal Marketing Agreement and Order for California Dried Prunes is similar to a number of Federal agreements and orders for fruits and vegetables. In crop years when

the estimated seasonal average price is below parity the agreement and order provide for volume and quality control on the marketing of prunes.

The program is administered by a twenty-one member committee which represents producers and processors (cooperative and non-cooperative). This committee is responsible for (1) recommending salable and surplus percentages to the Secretary of Agriculture (2) disposing of the surplus tonnage and (3) enforcing grade and size regulations.

The Committee attempts to dispose of the surplus tonnage through channels other than those used in calculating demand in the existing market outlets for salable tonnage. Funds to cover expenses of the program are acquired by levying assessments. The surplus prunes are pooled and the net proceeds are distributed by the Committee to growers in proportion to their contribution.

All four of the marketing programs discussed in this study were designed to enable producers to market their products more effectively and thus increase their returns.







## SELECTED INDUSTRY-WIDE FRUIT MARKETING PROGRAMS

By

Hugh C. Kiger  
*Agricultural Economist*

Since the depression in the early 1930's, an increasing amount of Government marketing legislation, designed to assist producers of farm products, has been enacted in Canada and the United States. Such legislation is intended to bring about more orderly marketing, to augment the purchasing power of producers and to lessen the instability of prices for farm products.

Thus, through Government legislative marketing aids, many producers of fruits and vegetables in the two countries have marketed their products more effectively on an industry-wide basis. "Industry-wide" in this report refers to an agricultural product, grown and marketed in a relatively concentrated area, with the same marketing characteristics spread throughout. The economic well-being of the area is closely related to the production and marketing efficiency of its agricultural industry.

Producers and cooperatives without the benefits of marketing legislation are interested in obtaining more descriptive information on the experience of such marketing programs. Specifically, this study is published as a part of an over-all report relating to the Florida citrus industry. Cooperatives or other groups of farmers producing fruits or vegetables may find the study useful in obtaining more orderly marketing practices in their industries.

This study, then, describes in detail four selected industry-wide marketing programs in the United States and Canada. The programs are representative of the Federal, State and Provincial marketing programs now in operation. While they constitute only a sample of the existing programs, the selected programs illustrate the variety of marketing approaches adopted by agricultural industries, as well as the kinds of marketing problems encountered and the principles employed to solve them.

The two Canadian programs represent two different approaches to marketing. Each gives producers a direct and equal voice with buyers in the marketing. Tree fruit producers in British Columbia have utilized a grower-owned and operated one-desk-selling-agency under Provincial legislation to market their product efficiently and increase their returns. All growers are required by law to sell their fruit through this one cooperative marketing agency. Peach growers in Ontario operate under a Provincial program which enables them, through collective bargaining with processors, to establish and maintain minimum prices based on crop and market conditions. Their premium peaches go to processors.

The dried prune program is representative of the numerous Federal marketing programs for fruits and vegetables in the United States. This program is designed to bring about

---

NOTE: Most of this study was published as a part of a special report to the Florida citrus industry by Hugh C. Kiger, "Application of Industry-wide Marketing Associations and Programs to the Florida Citrus Industry", U. S. Farm Credit Administration, Special Report 242, June 1952.

the orderly marketing of dried prunes at parity prices. The program provides for no action which will maintain prices above the parity level.

California has utilized more marketing orders than any State in the United States. The State marketing order for lemon products is one of the more recent programs. This order provides for volume regulation, grade and size regulation, sales promotion, and industry research pertaining to lemon products.

To obtain information and data relating to these industry-wide marketing programs, interviews were held with officials concerned with the marketing programs of the British Columbia tree fruits, California lemon products and dried prunes and the Ontario peaches-for-processing industries. Information and opinions were also obtained from leaders in each of these agricultural industries.

## **BRITISH COLUMBIA TREE FRUITS LIMITED**

### **HISTORY AND BACKGROUND**

The fruit industry in the Okanagan and Kootenay valleys of British Columbia began about 1889, the year in which the British Columbia Fruit Growers Association was formed. From that date until the present time, the Association has fathered the horticultural industry of British Columbia through many periods of stress and strain. The Association has operated, not only as a growers' organization concerned with horticultural problems, but as the organizer and director of the agencies which are responsible for marketing and processing British Columbia horticultural products.

During its early years, the Association had its headquarters on the coast and many of its activities centered around Vancouver and Victoria. However, following World War I, commercial fruit growing expanded so rapidly in the Interior that its sphere of activities gradually shifted to the valleys between the Cascades and Coast Range. At the present time, commercial production in the coastal areas is negligible, compared with the large crops produced from the irrigated lands in the interior of the Province.

Until about 50 years ago there were no irrigated crops. Then a former Governor-General of the Province, the Marquis of Aberdeen, experimented with commercial fruit plantings on his Coldstream estate, close to Vernon in the interior. To irrigate his orchard, he brought water down in canals from mountain lakes. The results of this experiment were so encouraging in proving the fertility of the soil and the utility of irrigation that other farmers began planting orchards and irrigating them. Soon a few carloads of fruit were packed and sent to the Prairie Provinces. From this meager beginning arose an industry which today seeks annual outlets for 13,000 to 17,000 carloads of fruits and vegetables valued at from \$20 to 25 million.

The original plantings on these irrigated lands in the interior were made with the idea of providing fruits and vegetables for the Western markets only. The farmers anticipated that the population of the Prairie Provinces and British Columbia would increase rapidly and that most of the area would be incapable of producing these products for themselves.

To cope with early marketing problems growers organized a large cooperative called the Okanagan United Growers in 1913. When first organized a large majority of producers were members. However, the membership dwindled and by 1922 only about one-third of



the producers were still members. It was not until then, after World War I, that growers became perturbed about the question of the best distribution of tonnage.

As a result, a complete re-organization of the association took place in 1923, and a new large selling cooperative, the Associated Growers of B. C., was organized. About 83 percent of the producers joined the new association through its locals scattered at various points in the interior.

But the domestic markets in Western Canada had not developed as anticipated, and surpluses began to appear. The Associated Growers' Cooperative, the largest selling agency in the area, was faced with the problem of distributing this crop. The association introduced cold storage for purposes of lengthening the period over which the commodities could be marketed. This caused many of the growers to leave the cooperative in order to avoid the cost of cold storage and advertising. By 1926 membership had dwindled to about 50 percent.

Growers then put on a drive for a Provincial Marketing Act and in 1926 the British Columbia Provincial Legislature passed the "Produce Marketing Act," under which a "Committee of Direction" operated for four years. This program produced the first semblance of a stabilized marketing program. However, in 1931 its powers were declared unconstitutional. Following this, the industry experienced about a two-year period of disastrous internal warfare.

In 1933 the marketing situation reached a climax. Growers, disgusted with the price at which the cooperative sold their fruit, picketed bridges and roads, and finally massed on the railway tracks, refusing to permit shipment of their fruit. The shipments did not leave, and an injunction was granted to avoid further disturbance. A growers' stabilization committee was then set up to take charge of the marketing.

The first Federal "Natural Products Marketing Act" was passed in 1934 to be supplemented immediately by Provincial legislation. Both Federal and Provincial Acts provided that if a large majority of the growers wished to conduct their marketing under an orderly program, which had been reviewed and accepted by Governmental authority, the minority must accede to the wishes of the majority. Considerable progress was made under this legislation for the next two seasons. Then in 1936, the Federal Marketing Act was declared unconstitutional by the Privy Council.

During the 1937 and 1938 seasons, under Provincial Legislation, a system of prorating tonnage to shippers was enforced. Although this removed the incentive to stampede and flood the markets, it did not eliminate a number of undesirable practices the growers felt they had been suffering--such as secret rebates, high brokerage rates, and unjust claims.

In 1939 at its 50th Annual Convention, the B. C. Fruit Growers Association instructed its president to direct his efforts toward setting up for that season a central grower-controlled selling agency, to conduct all marketing activities.

After the convention, a committee, with representatives chosen from the entire fruit area, was given the responsibility for setting up the basic plan for the central selling agency. After four months' work, the committee produced a plan which was submitted to and endorsed by the growers. This plan included an arrangement with all shipping houses requiring them to sell entirely through the new Central Selling agency.

British Columbia Tree Fruits Limited was designated as the sole selling agent by the British Columbia Fruit Board under the powers of the Natural Products Marketing (B.C.) Act. The agency began operations in 1939 and has been operating continuously since that date. It has proved to be an efficient marketing organization, helping the fruit growers of British Columbia solve the problems of their industry. Because of its outstanding record of accomplishment, many economists from all parts of the North American Continent have investigated its methods of operation.

### BRITISH COLUMBIA APPLE PRODUCTION AND UTILIZATION <sup>1/</sup>

Before World War I, fruit production in British Columbia was confined primarily to the coastal area. Afterwards the fruit industry expanded rapidly in the interior. At present the majority of the fruit in British Columbia is grown in the valleys between the Cascades and Coast Range.

The largest apple producing district in this area as well as the entire Dominion of Canada is the famous Okanagan valley, which extends over 100 miles between two mountain ranges in the southern part of the Province. This valley reaches into Washington State where it is also famous for U. S. apple production. Other important fruit growing districts in British Columbia are located at Kamloops, Salmon Arm, Grand Forks, Creston, Wynn-dell, Erickson, and along the Arrow and Kootenay Lakes (see figure 1).

A little over a half century ago, the Okanagan valley of British Columbia was covered primarily with sagebrush and bunch grass. And since rainfall in the valley averaged only about twelve inches a year, the only agricultural enterprise was a few herds of cattle. Today there are about 50,000 acres under irrigation in the interior valleys and about 1.6 million fruit trees flourishing on land that once supported only sagebrush.

During the early stages of apple production in the Province, hundreds of different varieties of apples were grown. Most of them were found to be undesirable and have been eliminated. Today 95 percent of the production is represented by eight varieties, namely, Wealthy, McIntosh, Jonathan, Rome Beauty, Delicious, Stayman, Newton, and Winesap.

Apple trees, like many other tree fruits, require much care for about 10 years before producing worthwhile quantities of apples. The tree usually reaches full production after 15 years.

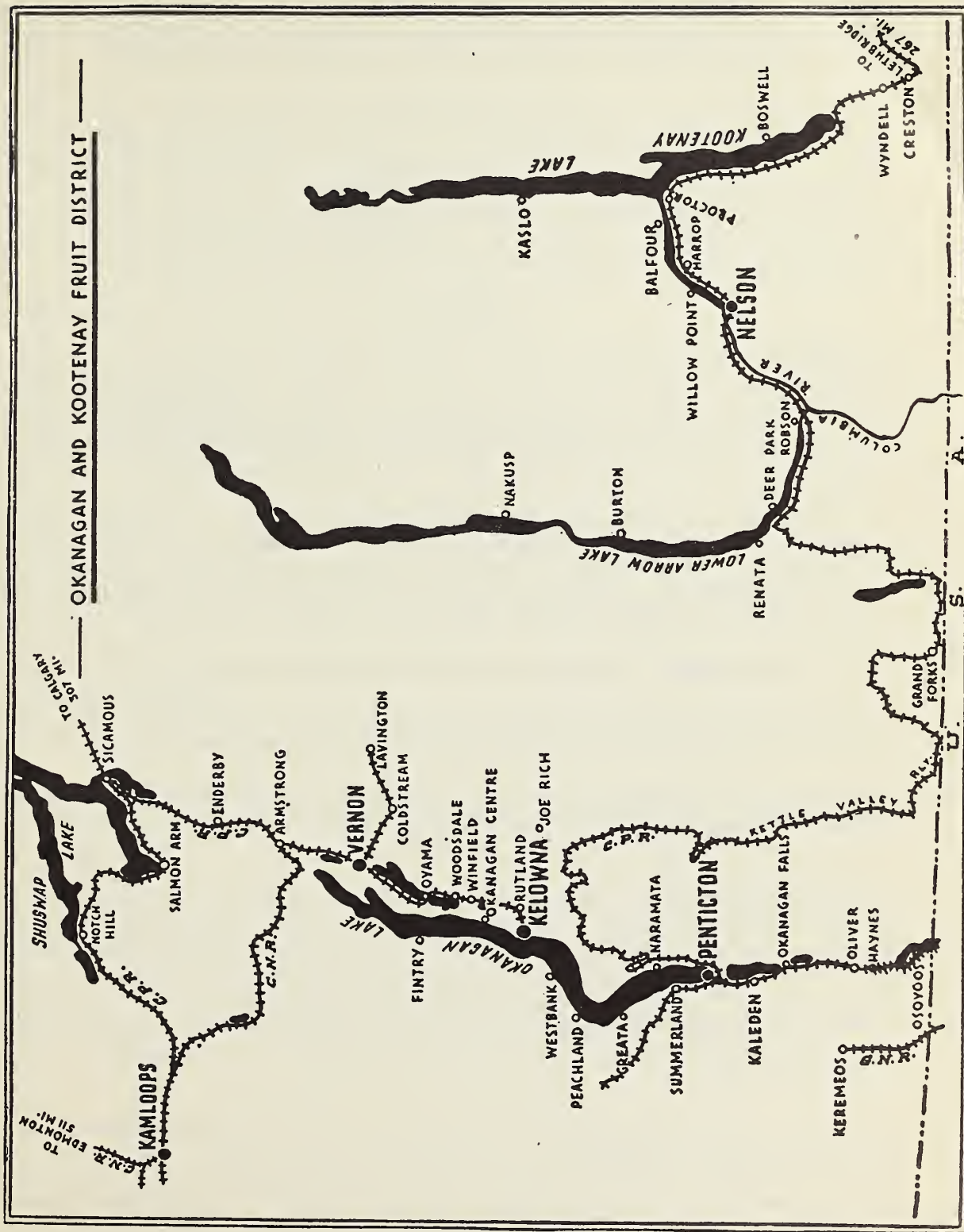
Production of apples in British Columbia has fluctuated very widely since 1935. Production since that date has been as follows:

Year	Production (mil. bu.)	Year	Production (mil. bu.)	Year	Production (mil. bu.)	Year	Production (mil. bu.)
1935	5.2	1939	5.7	1943	3.8	1947	6.9
1936	4.6	1940	4.9	1944	8.0	1948	6.3
1937	5.8	1941	4.2	1945	5.0	1949	7.9
1938	5.6	1942	5.4	1946	8.8	1950	8.0

<sup>1</sup>For purposes of this study the details of apple marketing by British Columbia Tree Fruits, Ltd., will be discussed. Apples represent about 60 percent of the volume of fruit handled by the agency. The agency also markets cherries, apricots, peaches, plums, pears, crabapples, and vegetables. The agency's method of marketing these fruits and vegetables is comparable to its method of marketing apples.



FIGURE 1



Production more than doubled within two years, from 1943 to 1944, and then decreased by 3 million bushels in 1945. In 1946 there was a 3.8 million bushel increase over 1945, and the 1947 production was 1.9 million bushels below that of 1946. The foregoing figures indicate that production has been relatively more stable since 1947.

These wide variations in year-to-year production are primarily due to variations in weather. Early frosts and extremely cold winters can be very hard on apple trees--in fact, killing many during severe winters. Consequently, production fluctuations greatly increase the marketing problem. Even though the B. C. Fruit Growers' Association and the Canadian Federal Government make production estimates, neither has been very accurate in the past several years. If the marketing agency could estimate production accurately each year, it could plan its marketing program more effectively.

### **Utilization**

The largest percentage of B. C. apples normally sell for fresh fruit consumption. For example, during the 1950 season about 92 percent of the crop was sold as fresh fruit; about 5 percent to processors; and 3 percent to canners. Although the fresh market is much more remunerative, the selling agency tries to see that canners and processors get their share of apples in years of comparative scarcity as well as in years of heavy production.

The quantity of apples sold to canneries and processors varies considerably with the total amount of apples available. Normally, the processing and canning plant--which is owned by the growers--uses mostly culls, but, in years of heavy production considerable quantities of Cee grade fruit is also diverted to processing.

### **THE NATURAL PRODUCTS MARKETING (BRITISH COLUMBIA) ACT**

In 1934 the Natural Products Marketing Act was enacted in British Columbia to enable producers to solve some of the marketing problems that had plagued them for years.

It was the purpose of this Act "to provide for the control and regulation in any or all respects of the marketing of natural products within the Province, including the prohibition of such marketing in whole or in part."

The Lt.-Governor-in-Council (comparable to a State governor in the United States) is authorized to establish, amend, and revoke programs for the control and regulation within the Province of the marketing of natural products. He may also constitute marketing boards to administer such programs. Each board consists of no more than three members and receives such remuneration as the Lt.-Governor may determine. He may vest in these boards any powers necessary or advisable to enable them to effectively control and regulate marketing of any natural product in the Province or prohibit such marketing in whole or in part.

The method of choosing any marketing board may be prescribed in the program which the board is authorized to administer.

The Lt.-Governor-in-Council may also vest in any board any or all of the following powers:

- (1) To regulate the time and place at which and to designate the agency through which any regulated product shall be marketed; to determine the manner of distribution, the quantity and quality of the regulated product to be marketed; and to prohibit the marketing of any grade, quality or class of any regulated product.
- (2) To make any person or class of persons engaged in producing or marketing the product exempt from the regulations.
- (3) To require any or all persons engaged in producing or marketing the regulated product to register with and obtain a license from the board.
- (4) To fix and collect license fees from persons producing or marketing the regulated product; and to recover such fees by suit in any Court.
- (5) To cancel any license for violation of any provision of the program, any order of the board or of the regulations.
- (6) To require full information from persons engaged in producing or marketing the regulated product, to require periodic returns, and to inspect the books of these persons.
- (7) To fix minimum or maximum prices or both at which the regulated product or any part of it may be sold, and to fix different prices in different parts of the Province.
- (8) To require the person in charge of any vehicle in which the regulated product could be hauled to permit any member or employee of the board to search the vehicle.
- (9) To seize and dispose of any of the regulated product kept or marketed in violation of any order of the board.
- (10) To use any money received by the board for purposes of carrying out the program.
- (11) To make such orders, rules, and regulations as are deemed necessary or advisable to control and regulate effectively the marketing of the regulated product, and to amend or revoke the same.

The Act provides for a penalty for every person who fails to comply with any order or regulation under the Act. If convicted, the accused is subject to a fine of not less than twenty-five dollars and not more than five-hundred dollars, or to imprisonment not exceeding three months, or to both fine and imprisonment.

As a protection to persons appointed to boards under the provisions of the Act, no action can be brought against them for anything done in good faith in the performance of their duty.

The Provincial Act provides for full cooperation with the Dominion Board in regulating the marketing of any natural product in the Province. However, all provisions of the Provincial act may be exercised to their fullest extent regardless of whether or not the Dominion Act is operative. The Provincial Act is not dependent upon a Dominion Act, since it has been tested in court and found to be constitutional.



As indicated above, the Act gives the Lt.-Governor-in-Council and the boards set up by him very broad powers for organizing and operating any marketing program which has been approved by a large majority of the primary producers in an area. The Lt.-Governor-in-Council may determine what constitutes a majority approval if a plebiscite relating to a marketing program is held in an area.

### STRUCTURE OF B. C. TREE FRUITS, LIMITED

Since B. C. Tree Fruits, Ltd, was organized in 1939, it has operated as the sales agency for all tree fruits in the interior of British Columbia. Although the agency was incorporated under the Companies Act in the Province for greater freedom in its operations, it is a grower-owned and grower-controlled association. Any savings, derived from a surplus of revenue over expenses is rebated to the shipper for distribution among his growers. The Fruit Board, which is set up under the Provincial Marketing Act, consists of three men who are selected annually by delegates from 25 districts from all over the fruit area. The Board is responsible for maintenance of regulations, established through a grower-planned program for the fruit area. The 25 delegates who elect this Board are also the Directors of the B. C. Fruit Growers Association.

The Fruit Board designates B. C. Tree Fruits Limited, a marketing agency created by the growers in 1939, as the sole selling organization. In order to assure control by the growers at all times, the Directors of the Fruit Growers' Association nominate not less than nine candidates for the Board of Governors of this selling agency. The other governor must be a member of the Fruit Board but the member cannot be elected or appointed without the approval of the Fruit Board. The ten governors are elected at each annual general meeting of the agency. Thus, the final decision on all marketing matters rests with the B. C. Fruit Growers Association. Figure 2 shows the relationship between B. C. Tree Fruits, Ltd. and other grower organizations and shippers concerned with marketing tree fruits in the interior of British Columbia.

This chart indicates that although all shippers sell through the agency; about 80 percent of the shippers are cooperatives and the remainder are independents. In addition to the legal designation of B. C. Tree Fruits Ltd. as the sole selling agency, there is in operation a three-party, three-year contract between the sales agency, the shipper, and the grower. Although this contract will be discussed in detail in the next section, it is necessary to add here that the contract spells out specific duties of each one to the others. And further, even though growers sign no contracts they still have to market through the agency.

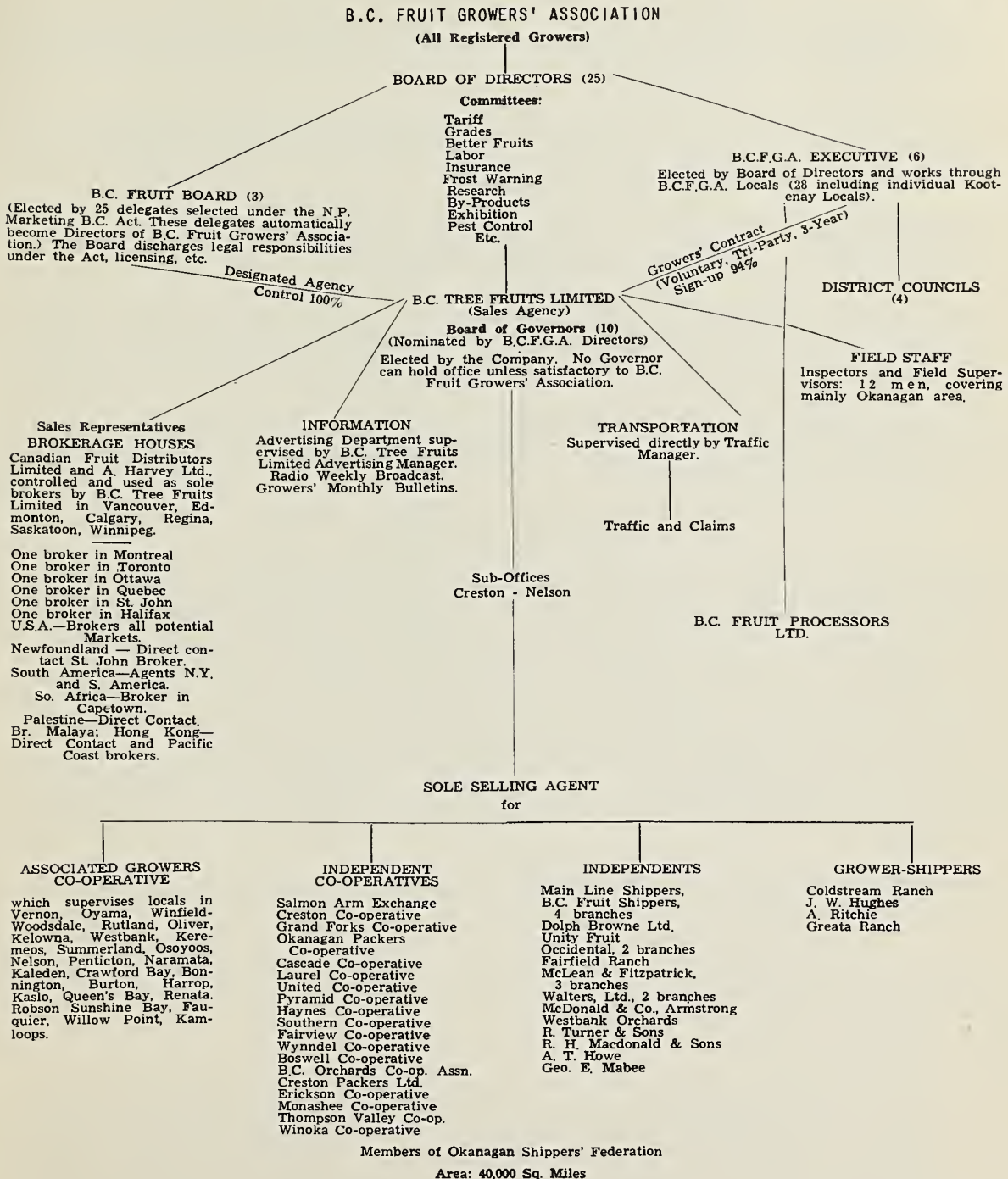
Figure 3 indicates the organizational set-up of the agency. Authority, responsibility, and control runs from the growers through their Board of Governors to the president and general manager. At the top level of management is the Board of Governors, president and general manager (both jobs are handled by one man in the agency), sales manager, secretary-treasurer, assistant secretary-treasurer, and assistant manager.

At monthly meetings of the Board of Governors, broad policies are established. However, between these meetings the president-general manager directs the affairs of the agency. He is, in effect, the general overseer of the agency.

The sales manager, who is responsible to the president-general manager, is in charge of the sales department, which is the largest department in the agency. He is assisted



FIGURE 2  
RELATIONSHIP BETWEEN B.C. TREE FRUITS LIMITED AND  
OTHER GROWER ORGANIZATIONS AND SHIPPERS



by three domestic sales managers and one foreign sales manager. The sales department carries out its functions through a system of brokers who are sales representatives on the domestic and foreign markets.

The advertising manager is in charge of the advertising department, which is responsible for promoting sales of products marketed by the sales agency. Much of this advertising is handled through advertising agents.

The information department is responsible for keeping growers informed regarding the marketing of products sold by the agency. Weekly radio broadcasts and monthly growers bulletins are used to keep growers well informed.

A traffic manager is in charge of the transportation department which is responsible for handling all traffic as well as claims relating to transportation.

The field staff consists of the field supervisors and inspectors of the agency. These men represent the agency in the field and are responsible for visiting the packing houses every day to see that they are conforming with all regulations.

The secretary-treasurer acts as office manager and is in charge of personnel and business accounts. He is assisted by an assistant secretary-treasurer who is responsible for handling all business accounts.

### THREE-WAY CONTRACT

Despite the fact that B. C. Tree Fruits is legally designated as the sole selling agency of tree fruits in interior British Columbia, the agency has in operation a three-year, three-party contract. This contract spells out the specific agreements between the agency, shippers, and growers necessary to carry out effectively the marketing program.

Although the sign-up is voluntary, it has ranged between 95-100 percent. Non-signers consist of certain religious sects who do not sign any contracts, farm operators who are not authorized to sign by their landlord, and a few who disagree with the program. However, even those who do not sign a contract are still required by law to market through the Agency.

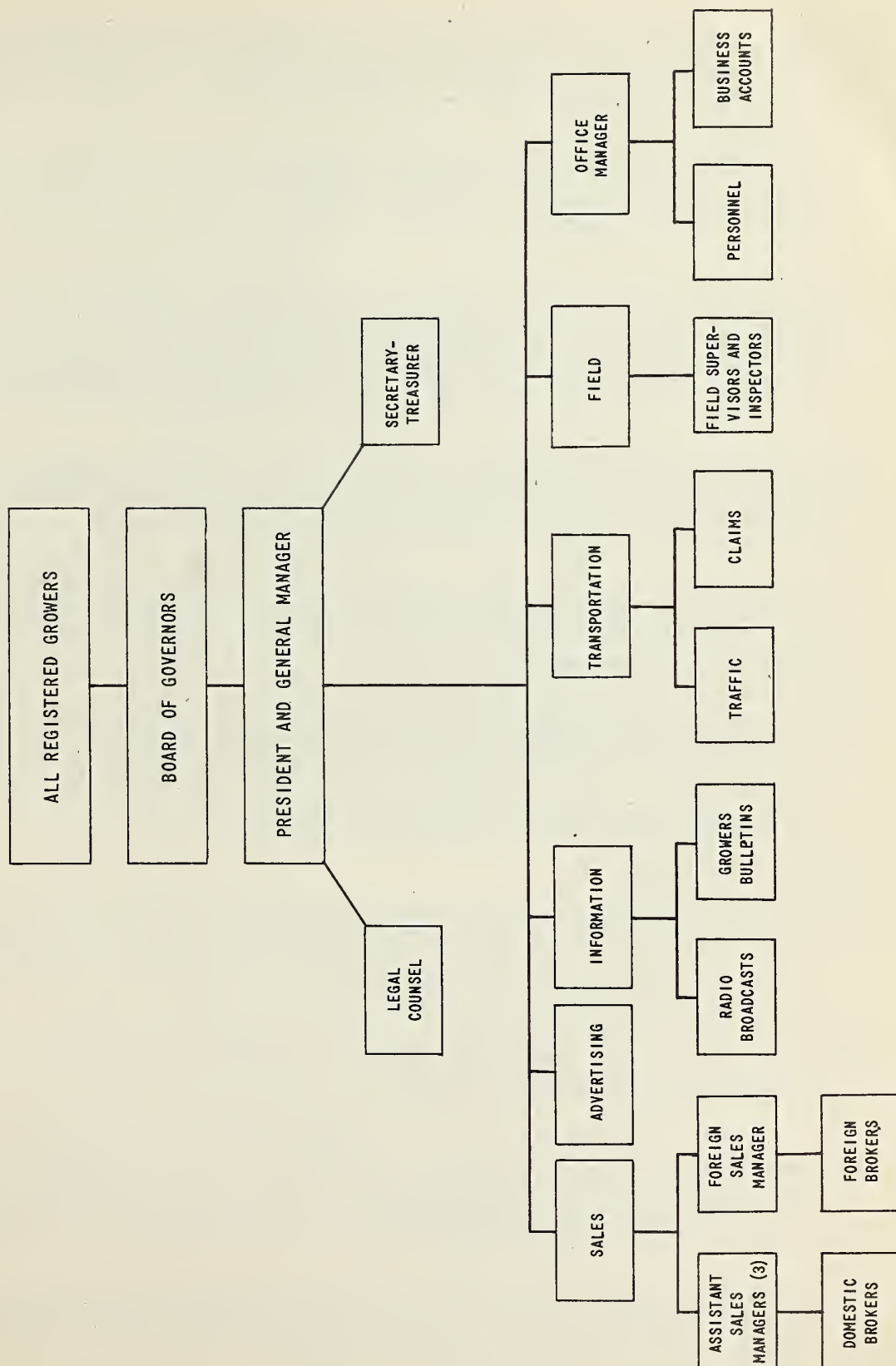
The contract is signed by all three parties and specifically states the responsibilities of each of the parties.

Under the terms of the contract, the following is a brief summary of the responsibilities of the grower, shipper, and agency:

#### **Grower's responsibility:**

- (1) The grower gives the agency the sole and exclusive right on his behalf to sell or market all tree fruits in which the grower has or may have any interest or right or which may be grown on any land owned, leased, or occupied by the grower. The grower also agrees that he will not, except with the consent of the agency, during the continuance of the agreement assign, lease, or otherwise dispose of any tree fruits, or bearing lands other than to the shipper or to a grower or shipper who is a party to an agreement with the agency.

FIGURE 3  
ORGANIZATION CHART OF BRITISH COLUMBIA TREE FRUIT LIMITED





- (2) The grower agrees that he will not permit the packing, storing or handling of any of his tree fruits covered by the agreement other than by a shipper who enters into this form of agreement with the grower and the agency.
- (3) The grower agrees to pay the agency, 25 cents for each 40-pounds of apples, as liquidating damages for any breach of contract on all apples withheld, delivered, sold, consigned, marketed or otherwise disposed of other than in accordance with the terms of the agreement.
- (4) The grower agrees that he will not, with respect to the crop of the year in which the agreement is executed, exercise the right, if any, contained in any contract which he had or has with the shipper for marketing of his tree fruits, to cancel or terminate such contract without cause. He also agrees that any contract relating to tree fruits, which he has or may have with the shippers, shall be supplementary and subordinate to the provisions of the three-party agreement.
- (5) The grower agrees to comply with any instructions, which the agency may issue from time-to-time, relating to picking or marketing of any tree fruit or variety, grade or size thereof, or the portion grown in any particular area or areas.
- (6) The grower designates in the contract the shipper or shippers whom he desires to execute the agreement as his shipper. If a grower handles and ships his own fruit he is deemed to be a shipper and must assume the agreements and undertakings of the shipper with the agency.
- (7) The agreement (as between grower and agency) remains in force and continues to be binding until cancelled by notice. The agreement currently in effect may be cancelled on the first day of April, 1954 or on the first day of April every third year thereafter. Any notice given by the grower to the agency is required to be in writing and mailed under a prepaid registered cover.

Shipper's responsibility:

- (1) The shipper gives the agency the sole right to sell or market all tree fruits over which he now has or may have any right of sale or disposal. He agrees that he will not, except with the consent of the agency, sell or otherwise dispose of any tree fruits or permit any other person to do so on his behalf.
- (2) The shipper may use fruit handled by him as security for money borrowed for the purpose of making advances to growers.
- (3) The shipper agrees to pack, load, store, ship or otherwise handle all tree fruits covered in any order from the agency as required by law and otherwise in accordance with the agency's instructions. The costs in connection with this work, unless otherwise provided in the agreement, cannot be chargeable to the agency or to the pools operated by the agency.
- (4) The shipper agrees that he will, if required by the agency, invoice the buyer of tree fruits handled by him and marketed by the agency, on agency forms, and in accordance with instructions given by the agency.



- (5) The shipper agrees with the agency that he will furnish information on estimated and actual tree fruit crops handled or to be handled by him in order to enable the agency to make a reliable crop estimate. The shipper further agrees to furnish other information that may be needed for crop estimating such as variety, grade or size of tree fruits handled or to be handled by him. If required by the agency, the shipper must verify the accuracy of such documents by statutory declaration.
- (6) The shipper may pool the proceeds of tree fruits of the grower with that of other growers for whom he acts, subject to any instructions given by the agency relating to such pools and their constitution.
- (7) The shipper agrees to account to all growers, for whom he acts as agent, for all tree fruits handled by him and the proceeds thereof. The form used, detail shown, and other particulars are subject to instructions that may be issued by the agency prior to May 1 of each year.
- (8) The shipper is required to keep record of all transactions affecting each pool of his growers' fruit, and to furnish accurate statements regarding these pools to the agency. If there is a disagreement between the records of the agency and shipper regarding shipments from any pool, the agency records prevail unless the shipper can establish the accuracy of his figures.
- (9) All claims and allowances that can be traced to negligence on the part of the shipper or any of his growers is charged to the shipper by the agency, but all other allowances are charged to the pool covering the shipment on which the allowance is made. The decision of the agency is final regarding adjustments of which claims and allowances are chargeable to the shipper and which to the pool (unless the sum charged to the shipper is in excess of \$50 and is referred to arbitration as provided in the agreement).
- (10) The shipper agrees to comply with instructions from the agency relating to production and marketing tree fruits.
- (11) The agreement remains in full force and effect between the shipper and agency unless cancelled by notice as provided in the agreement.

Agency's responsibility:

- (1) The agency agrees to sell all tree fruit covered by the agreement to the best of its ability. The agency may sell at such times and places, in such quantities, on such markets, in such manner, at such prices, and in separate or pooled lots as the agency may consider advisable.
- (2) The agency agrees that growers may sell fruit on their farms or in the immediate vicinity for sale or consumption at the place of purchase. Fruit bought under such circumstances cannot be sold other than at the place of purchase.
- (3) The agency agrees that charges for its services will not exceed 4 cents per box for apples and will be based on the net amount required to meet its net expenses together with any amount that may be authorized by the directors of the British Columbia Fruit Growers Association on behalf of growers for reserve, contingency

cies, or other purposes, or as part of revolving capital loans. Refunds will be made of any excess of the provisional deductions received by the agency.

- (4) The agency agrees to operate pools for each year's crops in accordance with the recommendations of the pooling committee. This committee consists of two members selected by growers, two by shippers, and two to be appointed by the agency's Board of Governors.
- (5) If the agency determines that any cold storage or other special service is of longer duration than the usual period for such storage or service ordered by the agency, it will be paid for by the agency and become a pool charge.
- (6) The agency is required to furnish an itemized list of claims against the pools and shippers on request to the president of the British Columbia Fruit Growers Association and to the president of the Okanagan Federated Shipper's Association.
- (7) If growers sustain a loss due to refraining from picking at the suggestion of the agency, the pooling committee may authorize compensation to such growers for all or part of such loss.
- (8) The agency is authorized to make a provisional deduction of not exceeding the sum of four cents per standard box of apples from the proceeds of each pool. This deduction is one-eighth cent lower on fruit handled by shippers who operate branch plants or control the prorating of orders for two or more persons packing and handling tree fruits. The agency, however, is authorized to make such charges as appear to it to be equitable if the shipper, during the two previous crop years, handled an average of less than 5,000 standard packages.
- (9) The agency agrees that, before making any major changes in grading or packing instructions, it will discuss such changes with the president and secretary of the Okanagan Federated Shipper's Association or a substitute to be named by them.
- (10) The agency may refuse to accept, or accept on its terms, tree fruit not picked, transported, handled or stored according to agency specifications.
- (11) The agency is also required to give notice of cancellation of contract. However, if notice is to be given to growers generally, it may give notice by advertising in newspapers, periodicals and radio.
- (12) The agency may terminate the agreement if authorized by the Directors of the British Columbia Fruit Growers Association or if the Dominion or Province law should change so as to alter the circumstances existing with relation to the agreement.

All three parties agree that the officers and employees of the others may enter and inspect lands and premises of the other party at reasonable times, and may inspect the records relating to tree fruits in possession of the other party to ascertain whether the provisions of the agreement are being complied with.

The contract also includes provisions for amendments of contract, method of giving notices and arbitration procedures.



## FINANCING THE AGENCY

Several years ago the agency used the revolving fund plan of financing. At the present time, however, the association has a working capital of only \$30,000. This working capital was withheld from 1949 crop operations. The working capital (\$30,000) withheld from the 1948 crop was repaid during 1950.

Although the agency has authorized 10,000 shares of common stock valued at \$1.00 each, it has issued only 10 shares to the ten members of the Board of Governors. They are the only persons permitted to own stock.

The three-way, three-party contract authorizes the agency to make a provisional deduction from the proceeds of each pool of not exceeding the sum of four cents per standard box of crab apples and pears--as well as the previously mentioned apples--and two and two-thirds cents per standard package of other tree fruits. In 1949-50 this operating levy on per-box basis amounted to almost \$400,000 and comprised about 97 percent of the total revenue of the agency. Other sources of revenue consisted of administrative charges recovered from subsidiaries, interest and exchange earned, profit on conversion of bonds, and rent received.

In 1951 the agency had \$19,000 of reserve for contingencies and \$30,000 for uncollectible accounts receivable. However, it is significant that the agency has lost only \$300 because of bad debts during the past ten years.

## Membership Relations

B. C. Tree Fruits Ltd. is the sole selling agent for all tree fruits in interior British Columbia and is, therefore, interested in making available to growers information about the operations of the agency and also information regarding the tree fruit industry generally. As a means of keeping the growers fully informed, the Agency uses a growers' bulletin, radio broadcasts, annual meetings and financial statements.

The agency sends a growers' bulletin to all growers once monthly. This publication is designed to keep growers as well informed as possible on the results of the agency's selling operations. It contains information on pooling, pool prices, advances, movements of crops, export situations, competition, financial status and similar data of the tree fruit industry.

For the past ten years the agency has conducted a weekly radio broadcast of marketing information. This broadcast gives growers a summary of all current facts relating to the marketing of tree fruits.

The agency publishes an annual financial statement which gives growers a detailed picture of the returns obtained by the agency from the markets. The agency officials also present a statement regarding its operations at the annual convention of the British Columbia Fruit Growers Association. At the convention many of the locals of the British Columbia Fruit Growers Association present resolutions dealing with the agency's activities. These resolutions are fully discussed and are instrumental in shaping the policy of the agency.

The agency also has further contact with its members through newspaper and magazine articles, agency inspectors and other employees.

The various channels of information help the tree fruit growers to understand both the objectives of their agency as well as its limits of accomplishment. This information stimulates the growers' interests in the business of the agency, in which they have a vital share as owners and controllers.

## MARKET CHARACTERISTICS

### Location of Markets

During the 1948-50 period, about 50 to 60 percent of the total apple sales were made on the domestic market. Since the formation of the agency in 1939, domestic apple sales have ranged from 51 percent of total sales in 1939 to 89 percent in 1943. During the 1948-50 period, export sales of apples to the United States averaged about 28 percent of total sales compared with about 16 percent of total sales exported to other countries. (See figure 4.)

The Canadian domestic market now consumes about 4 million boxes annually, which is about half the average total production. The agency's largest apple markets are located west of Winnipeg. These leading western cities, in point of sales, are Winnipeg, Calgary, Edmonton, Regina, Saskatoon, and Vancouver. The leading cities, in point of sales, east of Winnipeg are Montreal, Toronto, Quebec and Ottawa. Winnipeg itself is the leading apple market in Canada.

The volume of apples exported by the agency has fluctuated widely since 1939. In 1943 when production was slightly less than 4 million boxes, only about 11 percent of total sales were exports. Since the end of the war exports have averaged slightly over 40 percent of total sales. Some of the factors influencing exports during this period were: total Canadian production of apples competing with British Columbia production, tariff on apples, U. S. subsidy on apples, World War II, dollar purchasing power of foreign countries, and domestic purchasing power.

Exports of apples to countries other than the United States declined sharply during the war and reached a low of 2 percent of total sales in 1942. However, during 1949 and 1950 these exports averaged about 20 percent of total apple sales. Even though export markets have been vitally affected by currency conditions since the end of the war, the range of outlets has been, and is still, quite extensive, including at various times Norway, Sweden, France, Germany, Belgium, Egypt, Palestine, South Africa, South America, the Phillipines, Hong Kong, Honolulu, Malaya, India, and the United States.

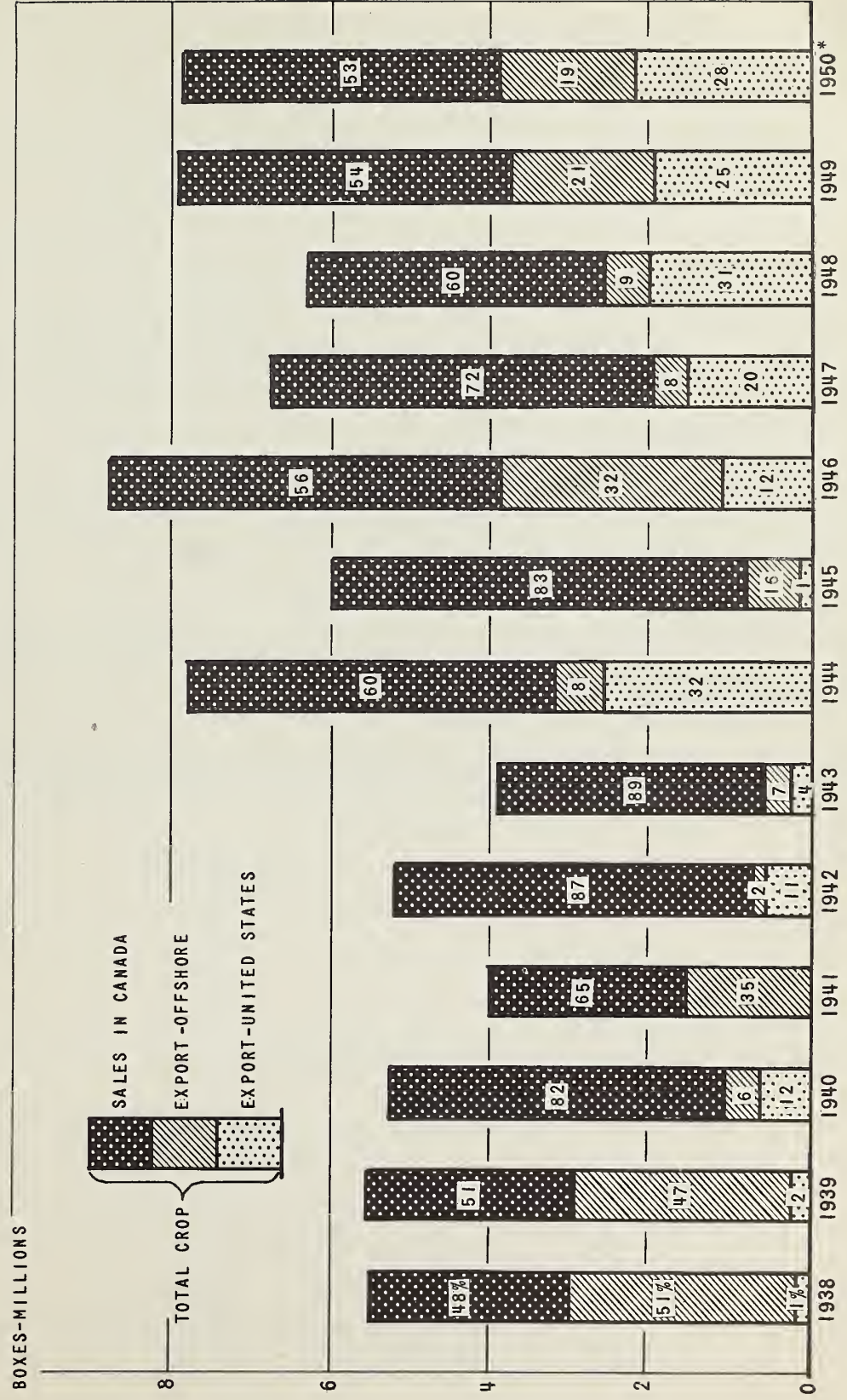
Exports to the U. S. have become increasingly important to the fruit growers of B. C. During the period 1946-50, exports to the U. S. averaged about 25 percent of total sales. Exports to the U. S. are influenced considerably by the level of Canadian production, the level of the U. S. tariff on apples, subsidies for U. S. apples, level of U. S. apple production, and the level of consumer incomes in the U. S.

### Competition

Apples sold by the agency compete with other apples at home and abroad, namely: other domestic apples on the domestic and foreign markets, imported apples on the domestic market, and foreign production on the export market.



FIGURE 4  
COMPARISON OF TOTAL APPLE CROPS AND EXPORT SHIPMENTS OF  
B.C. TREE FRUITS LIMITED FOR YEARS 1938 TO 1950



\*Estimated  
1893-4

As has been stated, British Columbia produces about one-half of the total apples grown in Canada. Ontario, the province ranking second in apple production, markets the large majority of its apples on the markets east of Winnipeg. However, in spite of the distance from eastern markets, officials of the agency believe they can continue to market a substantial quantity in this area because of the superior quality of their apples. For the same reason, officials of the agency also believe that they will be able to maintain and possibly increase their current level of sales on the total domestic market.

Since less than one percent of the apples consumed in Canada are imported, the agency is faced with negligible competition from foreign-produced apples on the domestic market.

Canadian apples face strong competition on the U. S. markets and on other foreign markets from U. S. exported apples. Even though apples exported to the U. S. are assessed with a 12.5 cents per bushel tariff, the agency still exports 20 percent of its total sales to the U. S. In years of heavy apple production in the U. S., therefore, the agency has severe competition on the U. S. markets.

As for other foreign markets, Canadian apples have been at a competitive disadvantage the past few years because of the subsidies granted on U. S. apple exports. Canadian apple producers have not been able to get similar subsidies for their export apples.

#### Tariff on Apples

B. C. fruit growers through their several organizations have been active in working either for the elimination of the U. S. subsidy on exports or for a corresponding Canadian subsidy on apple exports.

Changes in Canadian and U. S. tariff rates have been one of the factors affecting domestic and foreign sales to the agency. Rates of duty on apples exported to the U. S. have been as follows:

<u>Date of Act:</u>	<u>Duty per bushel</u> (cents)
Prior to 1930	25
1930	15
1947	12.5

Rates of duty on apples imported into Canada have been as follows:

<u>Date of Act:</u>	<u>Duty per bushel</u> (cents)
Prior to 1947	50
1947	(May 20-July 12) Free
	(July 13-May 19) 37.5
1951	(May 20-July 31) Free
	(Aug. 1-May 19) 18.75



## MARKETING PRACTICES

### Pooling

The pooling policy of the agency is governed by a pooling committee consisting of six members. Two of these members are appointed by the British Columbia Fruit Growers Association, two by the shippers under contract with the agency, and two by the board of governors of the agency.

The pooling structure is designed to distribute returns from the entire crop in such a way that the market demand for different varieties, grades, and sizes are reflected in their returns. It is also designed to insure that, as far as is possible, the cost of marketing is shared equitably throughout the marketing process.

The agency now sells under a "yardstick" pooling system, which has certain advantages over the old method of direct pooling, where each variety received exactly the amount for which it sold on the market. Under this new system the value of one variety in relation to another is predetermined and may be rearranged by the pooling committee.

As a guide in setting up the values for varieties, the committee uses their previous five-year averages. This 5-year average serves as a basis for assigning values to pools, although the pooling committee may modify this basis to reflect true market values more closely. From year-to-year some varieties lose their popularity while others gain an increasing demand.

The pooling committee has adopted the policy of changing the relative value of varieties progressively and in moderation. Growers are given information on such changes so they may govern their cultural practices accordingly. It is now the policy of the committee to limit themselves to adjustments of 10 cents upwards and 5 cents downward annually, unless it becomes apparent that some variety requires a more drastic change.

Questions taken into consideration by the pooling committee, before authorizing modifications in the relative value of varieties, are as follows:

- (1) How well does the variety sell in relation to its standing in the current price structure?
- (2) To what extent does the variety lend itself to ready marketability on the domestic and export market?
- (3) To what extent was the standing of the variety prejudiced by being utilized to stimulate consumption or to create demand, or markets?
- (4) To what extent was the variety favored or discriminated against by being withheld or given preferred access to a strong market?
- (5) Was the variety given equal facilities in grading and wrapping with other varieties, in proportion to its tonnage and harvesting period?
- (6) What is the storage life of the variety and its effect on marketability?



If the industry were operating under conditions where shippers competed with each other, each shipper would strive to obtain proportional distribution on the many markets for the several varieties. A grower would be aroused if his shipper failed to obtain a fair share of the good markets for his variety.

Under the yardstick method of pooling the necessity of prorating the tonnage of each variety to each market disappears. Under this system variety prorates can be disregarded and maximum efforts can be devoted to obtaining maximum returns for the pool as a whole. If a certain market will pay a particularly high price for one variety, a large percentage or all of that variety can be sold on that market to the exclusion of other varieties. Other varieties do not suffer because their value is predetermined, and distribution of the returns from the pool as a whole is made accordingly. Thus, each variety is compensated just as if it were given proportional distribution on each market.

In setting up pools for fruits the committee may decide to divide the crop into four pools, each pool including fruits harvested at various times during the marketing period. This may be done in order to give geographical advantage to the growers of early fruit and to place the growers of very late fruit in a separate pool. Thus the fruit harvested early will not suffer from the returns of very late fruit that might be lower priced.

In accordance with the provisions of the three-way contract the shipper pools the fruit as directed by the agency (pooling committee). After pooling the shipper invoices the buyer on forms furnished by the agency. The buyers pay all money to the agency. Immediately after selling the fruit, the agency makes advances to the shipper for his growers' share of the proceeds of each pool; the agency does not account to growers. Shippers may make advances to growers upon receipt of fruit, although the shipper is not paid by the agency until after sale of the fruit. Final payment is not made until after the pool is closed.

Prices and returns from pools are published in grower bulletins, thus growers can tell whether or not they are getting their share of returns from their shipper. Growers are free to change shippers if they believe their returns can be increased by doing so.

Various expenses in operating pools are chargeable to them. Four regular expenses that are applicable to all pools are the selling levy, brokerage, government inspection, and assembly.

The agency deducts 4 cents per box on apples and relative amounts on other commodities to cover the expenses involved in selling fruit. Agency brokers who press the sale of fruit to the distributing trade are paid from \$18 to \$40 per car, depending on the market and the commodity concerned. A charge is made against pools to cover the cost of hauling and handling fruit from one valley point to another for the purpose of completing mixed carloads.

To avoid any undue delay in closing a pool, the agency at times estimates the proceeds to be received from the remainder of the pool, then pays the shippers accordingly. In cases when the actual pool price and estimated pool price differ, the agency either adjusts the difference by deducting from refunds to shippers or pays them the excess at the time of the closing of the pool.



*Apples produced by members of B.C. Tree Fruits, Ltd., Kelowna, B.C., Canada, are picked from the trees by hand when they reach the correct stage of maturity. Special canvas picking buckets, which open at the bottom, are used to prevent bruising and to make the transfer of the fruit to orchard boxes easier.*

### **Grading, packaging, and inspection**

When the apples reach the correct stage of maturity in the fall they are carefully picked from the trees by hand, to avoid damage to the spurs which will produce next year's crop. Special canvas picking buckets, which open at the bottom, are used to prevent bruising and to facilitate transfer of the fruit to orchard boxes.

Immediately after the apples are picked they are transported to one of 60 packing houses in the area. About 80 percent of these packing houses are owned by farmers and the remainder by independent shippers. Here they are graded into three grades: Extra Fancy, Fancy and Cee Grade, plus a combination pack which contains all grades just as they come from the orchard with the culls removed. The rejects or culls are taken out and sent to the processor for use in making apple juice, vinegar and similar products.

The apples are mechanically sized, then individually wrapped in tissue paper and packed into boxes. Thus, each box contains uniformly high quality apples throughout.

About 90 percent of the apples sold fresh by the agency are wiped and wrapped in tissue paper by experts. Consumers are willing to pay about 40 cents more per box for wrapped



apples than for unwrapped; the wrapping only costs about 10 cents a box. Wrapping not only preserves the appearance of the apples, but makes them less perishable.

From the grader the packed boxes go down conveyors to a cold storage room. Here they are stored just above freezing until they are loaded into refrigerator cars for shipment to market. Storage at this temperature enables the apples to retain all of their natural qualities.

After receiving the grower's fruit, the shippers grade it by variety, quality and size in accordance with the agency's instructions. Agency inspectors visit the packing houses each day to see that shippers are conforming to the agency's regulations on grading and packing.



*After the apples are picked they are taken to a packinghouse to be graded, sized and the culls taken out. Apples are then wrapped in tissue paper and packed into boxes.*



The Canadian Federal Government also has grade requirements on apples sold fresh. However, the agency's own grade standards are sometimes higher than those of the Government. To protect all three parties concerned in marketing apples, the Government impartially inspects all shipments according to grade, variety, maturity and size. This inspection is performed by an employee of the Canadian Federal Department of Agriculture and costs about \$4 or \$5 per carload.

British Columbia apples enjoy an excellent reputation on the market and the agency is anxious to maintain this standing. By insisting on picking at the right stage of maturity, careful handling, rigid grading, proper storage and shipment, and rigid inspections, the agency plans to continue making a high quality product available to consumers.

### **Warehousing**

After apples leave the grader they are stored in cold storage rooms until loaded on refrigerator cars. Cold storage plants in the area can handle almost seven million boxes at one time. This means storage facilities are capable of handling almost an entire crop, thus lengthening the marketing season and enabling the agency to carry out a more orderly marketing program. In fact, there have been seasons when the first apples of a new crop were moving to market with the last apples of the season before.

All apples of some varieties not sold by mid-January, and other kinds on hand by late February are taken over by the agency for storage and shipping purposes. In such cases storage costs are allocated to pools instead of being paid by the shippers. The agency takes over the apples and concentrates them in a few storage plants to cut down on total storage costs.

### **PROCESSING - BRITISH COLUMBIA PROCESSORS LIMITED**

Before 1946, processing plants in the tree fruit area of British Columbia were under private ownership. These plants took tonnage as needed and assumed no responsibility for clearance of packing house floors.

Then in 1946, the fruit growers organized the British Columbia Processors Limited, buying out all processing facilities in the area, in order to handle the entire cull accumulation. The processing agency has since expanded, its combined plants now handling about 20,000 boxes of apples a day.

The operations of the British Columbia Processors Ltd. are controlled by a board of directors, consisting of seven executives from the board of directors of the British Columbia Fruit Growers Association (see figure 2). Although this processing agency operates apart from the selling agency, the two necessarily work close together, especially since the Pooling Committee started diverting sizable quantities of Cee Grade apples to processing.

Growers originally considered the processing agency as an agency for processing cull apples only. Then in 1949 the heavy apple production and changing conditions on the fresh market caused growers to see the necessity for readjusting this policy. They set up a pooling-processing committee in 1951 to make a report on possible changes in the functions of the processing agency. This report recommended that the primary function of the processing agency be changed from salvaging culls to that of controlling and

diverting surpluses from the fresh fruit market. In short, the agency was to serve as a balance wheel. The recommended changes were endorsed by the directors of the British Columbia Fruit Growers Association.

The processing agency is now looked upon as an alternate outlet for distressed or surplus Cee Grade fruit. The great value of this diversion will not be in returns on the processed product, but in indirect returns which will accrue to the fruit sold on the fresh market.

In 1949-50 the processing agency handled 17,000 tons of cull apples, compared with 8,400 tons of Cee Grade and 19,000 tons of cull apples in 1950-51. Products processed during these two seasons were as follows:

	<u>1949-50</u>	<u>1950-51</u>
Juice	460,154 cases	452,287 cases
Dehydrated apples.	1,063,899 lbs.	539,034 lbs.
Concentrate juice	31,091 gals.	43,030 gals.
Vinegar	40,000 gals.	10,000 gals.
Jelly	11,435 lbs.	16,290 lbs.

In 1950-51, juice accounted for 64 percent of the total apples processed; dehydrated apples, 30 percent; concentrate juice, 14 percent; and vinegar and cider about 2 percent.

Growers have paid for the plants taken over in 1946 through their processing agency. They have since expanded and improved the plants. Cash payments from the processing agency to B.C. Tree Fruits and to growers through their shippers now amount to about \$750,000 with other redeemable certificates valued at \$370,000. All of this has been earned from apples once considered a liability to growers.

Part of the working capital of the processing agency is provided by a 5-year revolving fund plan. Other capital needs are borrowed from a commercial bank.

The processing agency makes payments to the selling agency from income on Cee Grade fruit diverted to processing; income derived from cull apples goes directly to the shipper. During the 1950-51 season, processed Cee Grade fruit returned \$23.85 per ton; cull apples, \$7.03 per ton. From cull returns, \$4.00 per ton was paid in cash and \$3.03 per ton was issued in form of certificates of indebtedness. At the end of the 1951-52 season, certificates of indebtedness will be redeemed against the 1946 crop-total of almost \$100,000, plus accrued interest.

The processing agency has its own sales staff and brokers, who have been very successful in building up an active market for apple juice in Western Canada. Last year the agency processed nearly half a million cases of juice, mostly marketed west of Winnipeg. The agency continuously endeavors to produce high quality products. Association officials believe that the phenomenal market for apple juice and the popularity of the agency's brands are largely attributable to (1) its continuing efforts to maintain high quality, and (2) its aggressive selling policy.

Future supplies of commercial apples may exceed demand as they did during the 1949-50 and 1950-51 season. In such instances, half a million boxes of Cee Grade apples could be diverted to processing in order to relieve pressure on the fresh market. If this diversion caused a 5-cent per box increase on the fresh market, the additional returns would be \$400,000 on an 8.5 million box crop. Thus in indirect returns, these half million boxes



would earn 80 cents per box. Add to this the 10 to 20 cents per box which normally could be expected from the processing pool and the real potential value of owning and maintaining the processing agency becomes more apparent. Furthermore, when apples priced below production costs are accepted for Cee Grade apples in the fresh market, each box may displace one of higher grade. The higher proportion of better grades to reach the consumer, the greater the increase in future fresh apple consumption. Therefore, diversion of lower grades to processing maintains and protects the fresh market which is the primary source of income.

## SALES ORGANIZATION AND POLICY

It is the policy of the sales agency to supply the consumer market with all possible apples it will absorb at a remunerative price to the growers.

The agency's sales department is composed of a sales manager, three assistant sales managers, a manager of off-shore sales, and a number of employees assisting these managers. The sales policies are determined by the general manager and sales manager, subject to the approval of the board of governors. Duties of this department are largely performed in the home office at Kelowna, as most of the business is transacted by mail and wire.

Sales are made directly to the wholesale produce trade through brokers in all parts of the world. Each broker represents the agency in a definite allocated operating territory (see figure 4).

Two brokerage houses, the Canadian Fruit Distributors Limited and A. Harvey Limited, are controlled and used as sale brokers by the agency in Vancouver, Edmonton, Calgary, Regina, Saskatoon, and Winnipeg. These brokers are employees of the sales agency and are paid a salary plus a bonus. The brokers meet annually at the agency's head office where marketing problems and methods of increasing sales are discussed with agency officials.

The agency also has a broker in each of the large eastern markets in Canada, namely: Montreal, Toronto, Ottawa, Quebec, St. John and Halifax. The agency also employs brokers on all potential markets in the United States, its largest export outlet. These brokers are paid a brokerage fee of approximately 5-cents per box. Brokers or agents are employed by the agency on all of the other major export outlets for tree fruits.

It is the job of these brokers to press the sale of B. C. tree fruits to the distributing trade. The brokers on the large markets are constantly in contact with the wholesalers in their territory, learning their requirements very inexpensively.

Occasionally the sales agency is faced with the task of disposing of certain fruits that have lost their popularity for the time being. In such cases the agency requests the best offers from its brokers, then accepts the best one from the entire wholesale trade.



Within his territory, the broker negotiates apple sales and operates as sales agent. The broker obtains and transmits orders at prices and terms specified by the agency. After acceptance of the orders, the agency asks shippers to ship the apples and invoice them on forms furnished by the agency. The agency then handles collections.

The brokers perform another useful service for the agency by assisting in the equitable settlement of claims. They are on the spot and can give accurate information about the condition of the commodity, then recommend settlement accordingly. The expense of handling this service directly would be prohibitive.

The agency maintains contact with its brokers through frequent trips taken by the sales manager and his assistants during the selling season, as well as through contact at broker conventions or meetings held at the home office. These contacts plus the day-to-day exchange of information give the agency's officials an opportunity to detect and remedy any marketing deficiencies.

Officials of the sales agency believe that the cost of marketing fruit under the current system is much lower than under the old, in which numerous shippers marketed fruit in competition with each other. They can point to the large savings the central sales agency has effected for its producers through the following operations: (1) Reducing the number of officials, office employees, and office routine expenses; (2) eliminating high brokerage rates and the evil of double brokerage; (3) eliminating secret rebates, cut-price internal competition, and unjust claims; and (4) reducing telegraph, telephone, assembly, reshipment and advertising costs.

## ADVERTISING

All advertising of the selling agency is handled by the advertising manager. He is responsible for determining the advertising media to be used, the areas to be covered by advertising, and the expenditure of the advertising budget (subject to the approval of the sales manager). The advertising manager makes frequent trips to the large markets during the heavy selling periods to check on the effectiveness of the advertising program. He makes needed changes, with the advertising agencies handling the program. The agency started its national advertising in 1939--the first year of operation--and continues to emphasize advertising on a nation-wide scope. Funds for advertising are derived from the license fees charged by the B. C. Fruit Board. Expenditures for advertising during the past three years have averaged about \$150,000 a year, although the yearly expenditure varies somewhat with the size of the crop. The advertising budget is not rigid and may be increased considerably if the selling agency feels that it will increase grower returns.

Most of the advertising is done in Canada with a small amount in the United States. The advertising program in Canada is designed to keep the name of B. C. tree fruits constantly before consumers, with the most intensive advertising appearing during the heavy market periods. No brand names are used for the products sold by the agency; all are sold under one insignia, which in case of apples is "B.C. Apples."

Media used in the national advertising program include: billboards, newspapers, radio, magazines, display material, home canning booklets, recipe booklets, and retail bulletins. The latter are used to help give sales assistance to retailers.

The advertising program has three objectives: (1) To stimulate preference for B. C.



*A typical display of British Columbia apples. The advertising program of the selling agency is designed to keep the name of B.C. tree fruits constantly before consumers.*

fruits, (2) to increase the total consumption of fruit, and (3) to increase the sale of B. C. fruits during the heavy marketing periods. To do this the advertising media emphasizes the high quality and reasonable price of B. C. fruits.

Officials of the association feel that the combination of (a) a good product, (b) the co-operation and sales efforts of brokers, wholesalers, and retailers, and (c) national advertising have placed B. C. fruit at the forefront of the Canadian fruit markets.

## PRICES

### Opening Prices

It is the policy of the sales agency to set an opening price enabling it to sell that quantity of apples on the fresh market which will give growers maximum returns. Although the entire crop probably could be sold on the fresh market, quantities of Cee grade fruit are likely to be diverted to processing. This policy prepares for the years of heavy production when supply greatly exceeds demand, and the agency is faced with the problem of allocating a certain percentage to be sold fresh with the remainder diverted to processing.

In setting the opening price, the sales agency must consider the following factors: (1) Apple production in British Columbia, (2) apple production and prices in other provinces of Canada, (3) production and prices of apples in the United States, (4) domestic consumer income, (5) consumer income in the United States and other export outlets, (6) car-



ryover of apples, if any, (7) effect of advertising, (8) extent of U. S. subsidies on apples exported, and (9) production and price of competing fruits.

The agency attempts to set as realistic an opening price as possible to build up trade and consumer confidence. Since the agency cannot always estimate accurately all factors affecting the price of apples, the price is adjusted up or down as the season progresses. According to the agency's selling policy, apples are sold at the same price to all purchasers within a given market or selected area. The agency tries not to change its prices enough to cause a purchaser to lose money on the B. C. apples on hand. From the above it is obvious that the agency can in no way set fictitious or artificial price levels.

### Price trends

The farm price on British Columbia apples, since the organization of the sales agency in 1939, has varied from 74 cents per box in 1941 to \$1.94 per box in 1948. The average farm price received at shipping point of all sales for British Columbia apples during the 1939-50 period is shown in table 1.

A number of factors, as outlined in the preceeding section, come into play in determining the average farm price of apples. Although moving in the same direction, the farm price of B. C. apples has not generally followed the inflationary and deflationary trends of the Canadian economy.

Table 1. *Farm Price of B. C. Apples, Canadian General Wholesale Price Index, and Canadian Total Personal Income for the period 1939-50.*

Year	Farm Price per box (cents)	General Wholesale price Index 1926 = 100	Total Personal Income (Billion Dollars)
1939	81	75.4	4.3
1940	83	82.9	4.9
1941	74	90.0	5.9
1942	100	95.6	7.5
1943	132	100.0	8.2
1944	176	102.5	9.0
1945	157	103.6	9.2
1946	178	108.7	9.8
1947	171	129.1	10.4
1948	194	153.4	11.9
1949	140	157.0	12.8
1950	142	211.2	13.4

General wholesale prices have steadily increased since 1939; however, the farm price of B. C. apples has fluctuated considerably during this period. (See Table 1.) Probably the primary factors causing apples to vary from the trend of the entire economy are the variations in production from year to year and the large percentage of B. C. apples exported which consequently are influenced by factors outside the Canadian economy (see figure 4).

For example, in 1945 the farm price for a box of apples was about 20 cents below that of 1944 and 1946, although production was 20 to 25 percent below these two years'. Higher prices were made possible when 40 percent of the 1944 crop and 44 percent of the 1946 crop were exported, compared with 17 percent of the 1945 crop. The price of apples in



1949 and 1950 dropped about 50 cents per box compared with the 1948 price, when exports could not fully offset increased production.

### Supplies and price

Although the total supply of Canadian apples comes from domestic production, carryover and imports, domestic production normally constitutes about 97 percent of the total supply. British Columbia apples compete on the domestic market with apples supplied primarily from the Eastern Provinces. On the U. S. market and other export outlets, B. C. apples compete with U. S. apple supplies.

In years when British Columbia production is around 4 to 6 million boxes, the sales agency disposes of practically all boxes on the domestic market at satisfactory prices, even though production may be high in other parts of Canada and in the United States. For example, production in 1945 was between 5 and 6 million boxes and 83 percent was sold on the domestic market at a farm price of \$1.57 per bushel.

However, a heavy production in British Columbia--coupled with large supplies in other Canadian provinces and the United States--can have a very depressing effect upon prices. For example, in 1949 a total Canadian and U. S. crop of about 160 million bushels--including almost 8 million boxes from British Columbia--was about 50 million bushels above the total 1948 production on the Continent. This caused the B. C. farm price to drop 54 cents per box despite an increase in personal incomes in Canada.

The ability of the sales agency to sell in export outlets, other than the United States, will be a big factor in determining prices in years of heavy supplies. The domestic price will consume about 4 million boxes at remunerative prices. The agency can normally sell between 1 and 2 million boxes in the United States at satisfactory prices. However, supplies in excess of about 7 million boxes will have to be sold in other export outlets or diverted to processing.

The trend in production of apples in British Columbia has been upward during the past several years. It now appears that British Columbia has a potential production of 9 to 10 million boxes, although year-to-year production may vary widely, influenced by weather conditions. While the domestic market can be expected to consume from 4 to 5 million boxes on the fresh market, consumption may rise with increases in consumer income and population. But if more than 4 to 5 million boxes of B. C. apples are marketed on the current domestic market, a rather sharp drop in price can be anticipated.



*British Columbia apples being loaded for export. The ability of the sales agency to find export outlets for production in excess of 4 million boxes is a big factor in determining price on the domestic market. An average of about 2 million boxes per year is exported to the United States.*

During the past three seasons, the sales agency has exported an average of about 2 million boxes of apples a year to the United States. And while the U. S. levies a tariff of 12.5 cents per box on these apples the B. C. producers and U. S. producers agree informally on the amount of B. C. apples to be marketed in the U. S. The selling agency has abided by this agreement. It is probable that U. S. apple producers will not willingly agree to any marked increase in B. C. apple exports to the U. S.

The amount of apples then that can be sold through other export outlets is affected by the dollar purchasing power of these countries as well as by the extent of any U. S. subsidies on exported apples. During the past few years currency problems in these export outlets and U. S. subsidies have made it difficult for the agency to export apples to other countries at remunerative prices.

If supplies reach the 9 to 10-million box level, it is probable that a number of Cee grade apples will have to be diverted to processing. The price received on these apples can be expected to fall considerably below that in the fresh market outlet.

#### **Demand and prices**

A consumer's demand for apples consists of his desire for apples coupled with his disposable income. The domestic demand for apples comes from two sources — the fresh market and from processors and canners. The export demand comes from the fresh market in the U. S. and other export outlets.

The demand for apples is responsive to changes in personal income. However, a high level of personal income may be offset by other unfavorable factors. Total personal income in Canada from 1939 to 1950 is shown in table 1.

The level of domestic personal income is an important influence in determining apple prices. However, there are a number of other factors such as total domestic supplies and the level of demand in the export outlets which can offset any increase in personal income.

Experience since the sales agency was organized indicates that apple consumption may be expected to increase with growth in population and personal income. However, such factors as heavy production and unfavorable export demand may cause low apple prices during periods of relatively high personal income. Other things remaining equal, then, apple prices can be expected to move in the same direction as personal income.



## THE ONTARIO PEACH GROWERS' MARKETING-FOR-PROCESSING SCHEME

The Provincial governments of Canada have experimented increasingly with marketing boards and "schemes" since the "Produce Marketing Act" of British Columbia was passed in 1926. These schemes (in the United States, equivalent to marketing programs or orders) went through several changes and revisions because of legal decisions which declared some of the past acts unconstitutional.

At present about 15 Ontario products are covered by marketing schemes. While it is not possible to discuss each of these schemes individually, the peach growers' marketing-for-processing scheme will be examined in detail. Other commodities under a marketing scheme-for-processing are pears, cherries, plums and grapes.<sup>2/</sup>

Since Ontario producers and processors have many joint interests, a realistic marketing program is beneficial to both groups. Growers are particularly interested in an efficiently operated processing industry as they sell about 80 percent of their production to processors. Processors, too, find it advantageous to interest producers of quantity and quality fruit in their industry inasmuch as processors obtain all their peaches from Ontario growers.

Producers of peaches in Ontario endorsed the marketing scheme because it offered (1) the possibility of higher prices through collective bargaining, and (2) arbitration between the representatives of numerous peach producers and those of the relatively few processors. The processors were presumed to have monopolistic powers of bargaining and allegedly had been taking abnormal profits.

The Ontario Peach Growers' Marketing-for-Processing scheme enables growers and processors under legislative provisions to set minimum prices jointly each year on peaches-for-processing. It was put into effect in 1938 under provisions of the Farm Products Marketing Act (Ontario) 1937, by the minister of Agriculture, subject to a vote two years later. After the scheme had operated for two years 98 percent of the producers of peaches-for-processing voted for the scheme. The scheme has been in effect continuously since 1939.

The peach marketing scheme, like other Ontario marketing schemes, is administered by a board set up under the laws of the Federal government and the Province. The laws are the Agricultural Products Marketing Act (Canada) 1949 and the Farm Products Marketing Act (Ontario) 1937.

### AGRICULTURAL PRODUCTS MARKETING ACT (CANADA) 1949

In 1937, the validity of the Federal Natural Products Marketing Act was questioned and the Privy Council declared the act unconstitutional on grounds of infringing upon provincial jurisdiction over matters of property, civil rights, and individual forms of trade and commerce confined to the provinces. At about the same time the Privy Council upheld the Provincial Natural Products Marketing Act (British Columbia).

---

<sup>2</sup>Additional products covered by marketing schemes include cheese, asparagus, sugar beets, seed corn, berries, beans, vegetables, hogs, cream, soya beans, winter celery and honey.



Then at the request of the Canadian Federation of Agriculture, the Canadian Government passed the Agricultural Products Marketing Act (Canada) in 1949. Under this act Provincial marketing schemes, on certification by the Canadian Government, may have "like powers" granted them by their province extended into the inter-provincial and export field. Thus, this act, coupled with the Provincial Act, provides marketing regulation of farm products sold anywhere. The Canadian Government, however, will not extend powers in inter-provincial and export trade to any provincial marketing scheme, which the provincial government has not already extended to that scheme for intra-provincial trade.

The cheese, dry bean, and winter celery marketing schemes in Ontario have now had powers in inter-provincial and export trade granted them by the Province certified under the Federal Act. The Ontario Peach Growers' Marketing-for-processing scheme does not operate under provisions of the Federal Act at present.

### FARM PRODUCTS MARKETING ACT (ONTARIO) 1937

When the Privy Council declared the Federal Act unconstitutional in 1937 the Ontario Legislature passed the Farm Products Control Act. This act had the unanimous approval of all members of the Legislature when it was passed. In 1946 the act was amended in a number of its provisions, and its name was changed to The Farm Products Marketing Act (Ontario).

Essentially this act--as well as other provincial acts--states that where the majority of the producers of a commodity desire to sell their product collectively, the minority may be compelled by law to join in a common sales policy.

The Provincial Act gives the Ontario Minister of Agriculture authority to recommend the approval of any producer marketing scheme after a "reasonably favorable" vote, by signed ballot, has been taken of the farmers concerned. Although it is not a legal requirement, policy has required a two-thirds "yes" vote of all those eligible to vote. Any existing scheme which does not enjoy the continued support of its producer members may be revoked by the same method.

The Act also provides for the creation of the Ontario Farm Products Marketing Board, which is comprised of senior officers of the Ontario Department of Agriculture. This board is responsible for administering the act and supervising the operation of each marketing scheme approved under the act.

The act provides for the establishment of local boards which are empowered with certain limitations, to regulate and control the marketing of agricultural products within the Province. The act also defines the specific powers which may be delegated to producer boards by the Farm Products Marketing Board, and the powers to be administered by the Farm Products Marketing Board itself.

The following is a brief summary of the main powers which may be delegated to any producer local board by the Farm Products Marketing Board:<sup>3/</sup>

<sup>3</sup>G.F. Perkin, "The Ontario Marketing Boards", *Journal of Farm Economics*, November, 1951; and "The Farm Products Marketing Act," *Revised Statutes of Ontario, 1950*, Chapter 131, as amended by 1951, Chapter 25.

1. The right to investigate and settle disputes concerning any regulated product;
2. the right to investigate costs of producing, processing, distributing, or transporting any regulated product;
3. the right to establish price negotiating agencies and adopt or determine minimum prices, conditions and forms of contract, terms of purchase and sale and handling, storage and selling charges for any regulated product or for any class, variety, grade, or size of a regulated product;
4. the right to require persons engaged in the producing or marketing of a regulated product to register their names, addresses, and occupations with the local board;
5. the right to provide for the pooling of proceeds from the sale of any regulated product;
6. the right to exempt any person or class of persons from any scheme or any order or direction of the local board;
7. the right to inspect the books and premises of any person engaged in the marketing of any regulated product;
8. the right to require the furnishing of proof of financial responsibility by any person engaged in the marketing of a regulated product;
9. the right to prohibit the marketing of any grade or size of any regulated product;
10. the right to accept authority from the Canadian Government to control the inter-provincial and export sale of any regulated product; and
11. the right to cooperate with similar producer local boards of other provinces by marketing cooperatively or otherwise.

The following powers may not be delegated to any producer marketing board by the Farm Products Marketing Board and may be invoked by it only on the approval of the Lieutenant-Governor-in-Council:

1. The right to regulate and control the marketing of any regulated product, including the appointment of exclusive marketing agencies through which such product may be marketed;
2. The right to license persons engaged in the marketing of any regulated product and to renew, refuse, or suspend such license; and
3. the right to levy license fees or service charges and their specific amount on any regulated product, in order to pay the operating expenses of producer marketing boards.

The act provides penalties for every person who violates any of its provisions. The first conviction makes the offender liable to a penalty of not more than \$50 and for a subsequent offense to a penalty of not less than \$50 and not more than \$500. Every person who fails to pay the adopted minimum price is liable to a penalty of an amount equal to the





*Peaches are one of several Ontario commodities which are marketed under a provincial marketing scheme. About 80% of Ontario peaches are subject to provisions of the peaches-for-processing scheme.*

amount of such minimum price less any amount paid by such person as payment in full or part payment for such regulated product.

The Ontario Marketing schemes differ somewhat from the agency program operating in the British Columbia tree fruit area, which is a 100 percent, one-desk selling agency. The Ontario schemes function, for the most part, as means for negotiating and establishing minimum prices, terms of contract and conditions of sales in each crop year for the products under regulation. The Ontario producer marketing boards do not take control of the regulated products nor act as the farmers' agent, as the board in the B. C. tree fruit area does. The product remains with the farmer until he sells it. He is subject only to the terms of the negotiated agreement for that product.

### LOCAL BOARD

To regulate and control the marketing of peaches-for-processing, subject to limitations placed on it by the Ontario Farm Products Marketing Board, a local board known as "The Ontario Peach Growers' Marketing Board" was formed. This local board consists of seven members who are elected from four districts in the Niagara peninsula area.

Each district has its own peach growers' committee. And each county group, prior to March 15, elects a district representative or representatives on the basis of one representative for each 50 growers or fraction thereof.

The local board has power to control the marketing of peaches produced in Ontario and to regulate their sale in accordance with the provisions of the Farm Products Marketing Act. It is the duty of the local board "to stimulate, increase and improve the marketing of peaches produced in Ontario by appointing such persons and doing such acts as it deems advisable and to pay any expense thereby incurred out of the money raised as license fees."

All processors of peaches in Ontario are required to obtain a processor's license from the Board. The processor's license is issued annually without charge for the year, beginning April 1. No person is permitted to buy peaches for processing without a buyer's license from the Board. The buyer's license is also issued annually without charge for the year, beginning April 1.

Every grower is required to pay to the local board license fees at the rate of 40 cents for each ton, or fraction thereof, of peaches delivered to a processor and processed by the processor. The processor deducts the grower's license fees from the sum of money due the grower in payment for his peaches. The processor then forwards this money to the



local board not later than December 1 in any year.

### THE NEGOTIATING COMMITTEE

The Ontario Peach Growers' Marketing-for-Processing Scheme provides for the organization of a committee of six persons -- three growers and three processors -- known as the Negotiating Committee. This committee may negotiate and reach agreements relating to minimum prices, forms of contract, conditions of sale, grades and price differentials between grades, and fulfilment of contracts. The three grower members of this committee are appointed annually by the local board; the three processor members annually by the licensed processors.

If the Negotiating Committee fails to arrive at an agreement, the matters in dispute are referred to a negotiating board. The board has three members -- one member appointed by the three producer members of the Negotiating Committee, a second member by the three processor members, and the third member selected by the two members already appointed. If the third member cannot be agreed upon, the Farm Products Marketing Board appoints the third member. Agreements reached by the negotiating board are final, on approval by the Farm Products Marketing Board.

If the situation arises in which processors refuse to appoint their members to the Negotiating Committee or board, the Farm Products Marketing Board offers to appoint the committee or board. If this is not acceptable, the Farm Products Marketing Board itself sets the minimum price and terms of contract for peaches for processing in that crop year.

The objective of this joint committee of equal numbers of producers and processors is to set minimum prices as well as other terms of sale for peaches-for-processing each season. The job of the Farm Products Marketing Board is to see that negotiations take place, that decisions are made, and that the agreements reached are enforced.

The peach scheme has been in operation since 1938 and the Negotiating Committee has been able to reach an agreement on minimum prices in all years but three. For these three years the negotiating board reached an agreement on minimum prices and other regulations.

The Negotiating Committee meets in August and tries to estimate the size of the crop before setting the minimum prices. It draws on the production forecasts made by the growers, canners, and the government. From these figures the committee agrees on what the estimated production will be. In arriving at a minimum price which will be equitable for growers, canners, and consumers, the committee considers such factors as production of Ontario peaches, consumer income in the province, cost of producing peaches, inventory of canned peaches, and the price of competing products.

The Negotiating Committee announces its agreement on the minimum price and regulations at the conclusion of the conference. This agreement designates the minimum price processors will pay growers for each of the peach varieties. In 1951, peaches were required to be two inches or more in diameter, uniformly ripe as possible, and suitable for processing (see Appendix).

Only since 1938 has the minimum price been lowered after the opening of the canning seasons--which put some of the canners at an unfair competitive advantage. Officials of

the local board feel that such changes weaken the marketing structure and, therefor, do not plan to lower the minimum price again. On the other hand, canners may pay, and often have paid, over the minimum price for peaches.

### MARKETING

Practically all Ontario peaches are grown in seven counties of the Niagara peninsula area. The main market for peaches is in the Province itself. Small quantities of Ontario peaches are sold in the surrounding Provinces, but exports are negligible.

About 80 percent of Ontario peaches are sold to processors and the remainder are sold on the fresh market. Of the fruit sold to processors, about 70 percent is handled by grower cooperatives; non-member growers sell the other 30 percent directly to processors. Private buyers handle about 70 percent of the fresh peaches and the remainder are sold through cooperatives or directly to the consumer.

These cooperative marketing associations assemble the producers' peaches, sell them on the fresh market or deliver them to processors. Many cooperatives have contracts with processors to deliver a certain quantity of peaches at the minimum price. These cooperatives may also act for their growers with the local board.

Unlike most agricultural products, peaches going into processing have higher grade standards than those for the fresh market. Peaches-for-processing are tree-ripened when delivered to the processor. Much of the fruit sold on the fresh market is early fruit or fruit that will not meet the required processing standards. It appears that the domestic market can absorb about 20 percent of production on the fresh market at remunerative prices. However, a heavy production of peaches or a heavy carryover of canned peaches may shift more peaches to the fresh market.

The marketing scheme does not attempt to make any allocation of peaches between the fresh and processed market. Its only function is to negotiate and establish minimum prices, terms of contract, and conditions of sale.

Although processors agree to take no certain quantity of peaches, many of them have contracts with growers or cooperatives station that they will buy a certain tonnage of peaches. Some growers sell 85 to 90 percent of their peaches to processors.

The quantity of peaches processed, however, is influenced by the negotiated price. If the negotiated prices are too high, they will probably be reflected in lighter sales of canned peaches by processors and lighter purchases of peaches from growers. Growers want to set the minimum prices on peaches-for-processing at a level which will enable processors to handle a large percentage of the crop which in turn will result in maximum returns to growers.

The minimum prices are a big factor in determining the quantity that will be marketed in each outlet. Since the processing outlet is the premium market, any peaches not sold to processors will be put on the fresh market. Thus, in years of heavy production or of a large carryover of canned peaches, growers may expect a relatively low price for peaches sold on the fresh market.

Inasmuch as the problem of chronic surpluses has not confronted Ontario peach growers,



they have developed no specific measures for coping with a surplus. No sharp increases in production are anticipated because of the limited area in which peaches can be produced due to soil and climatic conditions. Officials of the local board believe that any temporary surplus can be handled by industry-wide advertising and by putting the lower grade peaches into freezing.

The current consensus of opinion on the part of growers and processors seems to be in favor of the peach marketing scheme. Certainly this scheme has contributed to better producer-processor understanding. The joint interest of these two groups in more efficient production, quality maintenance and increasing volume of sales has also contributed to cost reductions and pooling of knowledge for their mutual interests. Producers realize that an efficiently operated and financially successful processing industry is to the interest of peach growers in the long run.

## CALIFORNIA STATE MARKETING ORDER FOR LEMON PRODUCTS

A California state marketing order for lemon products was made effective March 10, 1951. The order was set up under the provisions of the California Marketing Act of 1937, as amended, and under the general provisions of the State agricultural code, revised to September 22, 1951. The Marketing Act provides for the issuance of marketing orders which will assure stabilized and orderly distribution of agricultural commodities which could not be accomplished otherwise. In addition to the lemon products order, the State also has marketing orders for dates, wine processors, figs, canned olives and canning and freezing cling peaches.

### PURPOSE

The Order for Lemon Products was established for the following purposes:

- (1) To stabilize the supply of lemons to processors and the prices therefor, so as to stabilize in turn the market for finished lemon products;
- (2) to stabilize returns to growers at a reasonable level for that portion of their fruit which cannot be sold in fresh form, by avoiding wide fluctuations in the market for lemons for processing;
- (3) to equalize the burden of necessary surplus diversion in order to accomplish the stabilization of prices desired.

### THE LEMON PRODUCTS ADVISORY BOARD

The order is administered by a Lemon Products Advisory Board of eight members, with alternates provided for each member. Representation on this Board is provided for as follows:

- (1) Any cooperative which received or processed more than 50 percent of the total volume of lemons received or processed in the 1949-50 marketing season shall be represented by four members and four alternates;
- (2) all other cooperatives, collectively, shall have one member and one alternate;



(3) all processors which are not cooperative associations shall have the remaining three members and three alternates.

At the beginning of each marketing season, and from time to time thereafter, as the Board may deem desirable, or as the State Director of Agriculture may require, the Board shall investigate the economic and marketing conditions affecting lemons and lemon products. The investigation shall include, but not be limited to, such information with respect to the following factors as may be applicable and available:

- (1) The cost of production of lemons and lemon products;
- (2) the supply of lemons and lemon products which is available or about to become available;
- (3) current and prospective market and consumer demands for lemons and lemon products;
- (4) current and prospective market prices for the various lemon products;
- (5) any other pertinent economic or marketing information having a bearing upon lemons and lemon products.



*Picking lemons in Los Angeles County, California.*

Based on the information obtained by the Board, a report is prepared for each marketing season setting forth the proposed policy for the marketing limitations to be applied to lemons and lemon products. If it becomes necessary to modify the marketing policy as the season progresses, the Board shall prepare a report showing such modifications and the reasons therefor.

Specific terms pertinent to the policy are "free tonnage" and "stabilization pool tonnage". Lemons designated as "free tonnage" may be defined as that percentage of the total supply of lemons for processing that is free of restrictions of the order. Processors may dispose of these lemons in any way they wish. Lemons designated as "stabilization pool tonnage" may be defined as that percentage of the total supply of lemons for processing that must be held by the processors for the account of the Board. These lemons are subject to the provisions of the order and may be disposed of by the Board by any means which it feels will tend to carry out the purposes of the act.

## POLICY OF THE BOARD

The policy of the Lemons Products Advisory Board during the 1951-52 marketing season, ending October 31, 1952, was as follows:

- (1) To fix a Stabilization Pool percentage and a Free Tonnage percentage which will result in making available to processors enough Free Tonnage to meet the demand for lemon products based upon the best current estimates available.
- (2) To adjust the Stabilization Pool percentage downward, and Free Tonnage percentage upward, promptly, if it becomes evident as the season progresses that a higher Free Tonnage percentage is necessary to provide lemons to meet the seasonal needs at the prevailing price levels. Due consideration will be given to purchases by the trade and additional supplies will not be made available if trade inventories would be unduly inflated by such an increase.
- (3) To fix a price for lemons in the Stabilization Pool which is realistic and which will permit sales of the products made therefrom at reasonable retail prices; and yet will return to growers reasonable returns, taking into consideration the seasonal marketing pattern for lemon products and the storage costs incurred through processing lemons at various times and fixing prices which will equalize such costs to the extent reasonably possible.
- (4) To encourage all segments of the trade to increase the sale of lemon products at stabilized price levels through better advertising and merchandising; also, to encourage the development of sales promotion activities of a type which individual processors cannot practically engage in, and other similar efforts. It is recognized that the initiation and operation of such programs will require funds over and above those now being collected.
- (5) To reduce the current carry-over of lemon products by about 50% as quickly as is prudent and reasonable, realizing that a full adjustment may not be possible in a single marketing season.
- (6) To collect, compile and disseminate to processors statistical data on the economic and marketing conditions affecting lemon products, so that changes in the existing conditions can be noted and the regulations under the Order can be changed where justified.

## FUNCTIONS OF THE BOARD

On the basis of information available to it, the Board may recommend the establishment of percentages of free tonnage or stabilization pool tonnage to be acquired by processors in any marketing season.

The total of the two percentages is equal to 100 percent. All recommendations of the Board are subject to the approval of the State Director of Agriculture. During the 1951-52 season, the Lemon Products Advisory Board recommended a Stabilization Pool percentage of 65 percent after careful consideration of the following data:



Supply for Processing

Estimated Crop, 1951-52	31,700 cars
Estimated Storage, Nov. 1, 1951	<u>2,500 cars</u>
	34,200 cars
Estimated Storage, Nov. 1, 1952	<u>2,000 cars</u>
	32,200 cars
Estimated Packing Cullage	<u>640 cars</u>
Available Supply	31,560 cars
Estimated Fresh Shipment	<u>20,000 cars</u>
Available for Processing	11,560 cars or 184,960 tons

Supply of Products in Manufactured Form

Desirable Carry-over on Oct. 31, 1952	20,000 equivalent tons
Estimated consumption 1951-52	<u>85,000</u>
	105,000
Carried into 1951-52 season (Estimated)	<u>45,000</u>
To be Manufactured in 1951-52	60,000 tons

Stabilization Pool Percentage

Available for Processing	184,960 tons
Juice Use (Free Tonnage)	<u>60,000 tons</u>
To divert for Season	124,960 tons

Stabilization Pool Percentage

124,960 tons -
<u>184,960 tons</u> - 68%

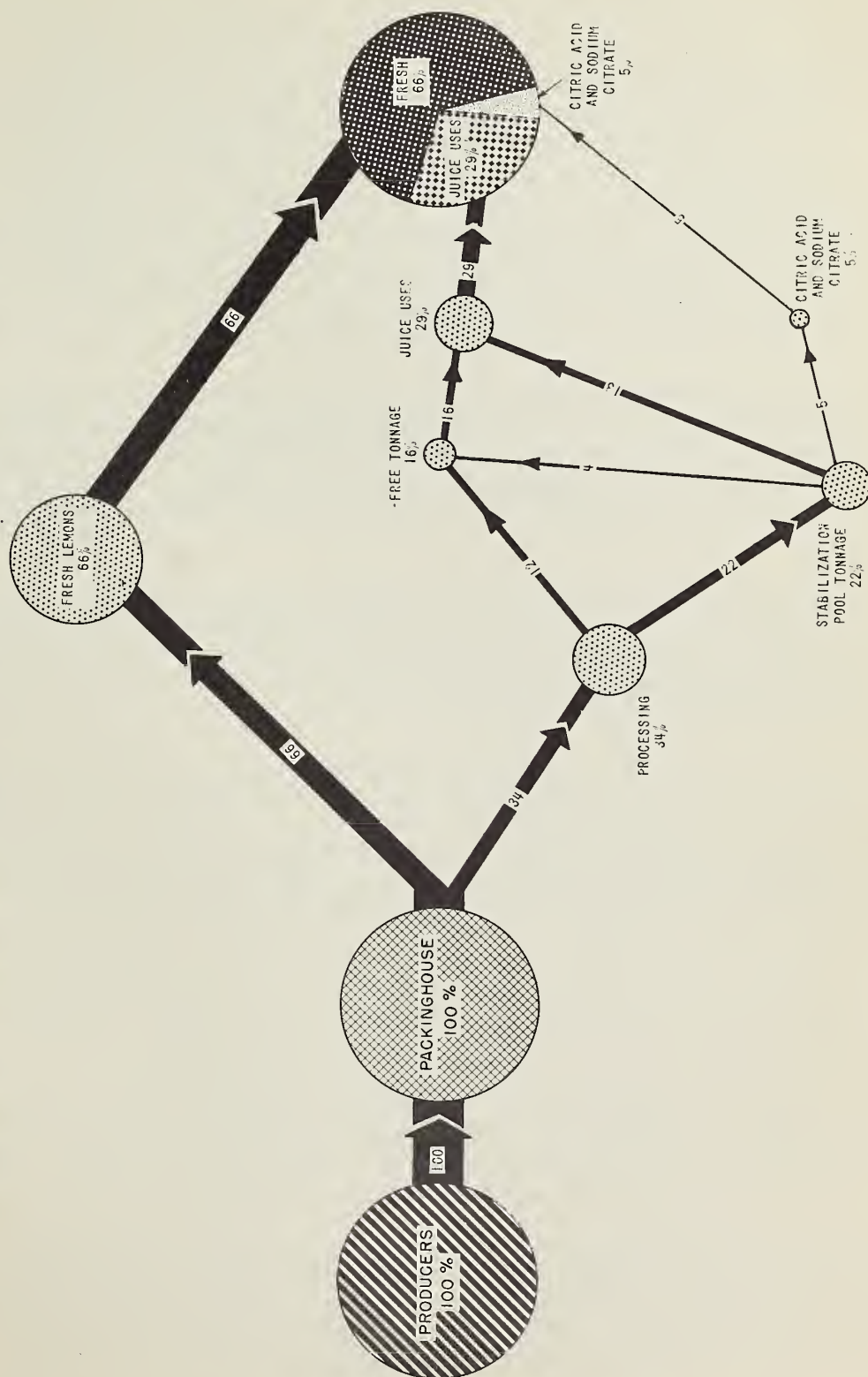


*Sizing and packing lemons in the packinghouse of a large cooperative. Lemons not sold fresh are marketed under the provisions of a state marketing order for lemon products.*

After receiving a recommendation that marketing percentage regulations be established, the State Director of Agriculture then issues these regulations, establishes the percentages, and notifies the Board. The Board in turn gives reasonable notice to all processors. The percentage of lemons designated as free tonnage during 1951-52 was 35 percent. It is free of restrictions of the order and consequently may be disposed of free from any further limitations. The remaining percentage of lemons is designated as stabilization pool tonnage. It is held by the processor for the account of the Board and is subject to the regulations issued under the order.

An example, using hypothetical percentages, of the movement of lemons from the producer to consumers is shown in figure 5. This indicates what disposition

FIGURE 5  
AN EXAMPLE, USING HYPOTHETICAL PERCENTAGES, OF THE MOVEMENT OF  
LEMONS FROM PRODUCERS TO CONSUMPTION OUTLETS





might be expected of the lemons designated as stabilization pool tonnage.

Free tonnage and stabilization pool tonnage are computed by applying the applicable percentages to all lemons acquired by each processor. Those lemons, however, are excepted which have been included in the computation for a prior holder, unless the processor files a request with the Board to have such computation made on the basis of total tree crop from designated grove. Such a request is to be granted only to processors who declare that their total tree crop, from the designated grove, is for processing only. In addition, the processor must show evidence that the crop is not included, during the marketing season, in any computation of fresh shipment allocations. In such an event, no stabilization pool tonnage obligation is to arise from that part of the total tree crop which is equal to the estimated industry average, shipped in fresh form, during the marketing season.

The Board is authorized to sell the stabilization pool tonnage in its original form or after conversion into approved products or by any other means which will tend to carry out the declared purpose of this order. On approval of six members, the Board may fix prices for the stabilization pool tonnage. After deduction of necessary expenditures, all money remaining in the stabilization pool is paid on a pro rate basis to the participants in the pool.

Funds for financing the program are obtained by an assessment of up to 75 cents per ton on all lemons acquired by processors, or from money accumulated in the stabilization pool fund. The Board may recommend and the Director may approve the proportion of such combined assessment, which may be used for sales promotion, research, and administrative purposes authorized under the order.

The order specifies that the Board may recommend to the State Director of Agriculture the issuance, modification, suspension or termination of minimum grade or size regulations for lemons which may be acquired by processors or for stabilization pool lemons. During any period in which marketing regulations relating to the minimum grade or size of lemons are in effect, all lemons so regulated are to be inspected and certified in accordance with inspection rules and regulations recommended by the Board and issued by the Director.

Size and grade standards are more rigid for lemons sold on the fresh market than for those in the lemon products industry. Desirable qualities for lemons shipped fresh include such characteristics as general appearance, color, size and shape. Acceptability of lemons for processing is based on their performance in a juice acid test.

One of the major objectives of the lemon products order is to promote the sales of lemon products in order to maintain their present markets or create new and larger markets. The Board's advertising makes no reference to a particular private brand or trade name and makes no use of false or unwarranted claims in behalf of lemon products. In carrying out its sales promotion or market development plans, the Board may (1) provide educational material on the proper conditioning and handling of lemons or lemon products; (2) arrange for dealer service work; (3) provide display and other promotional materials; (4) make market surveys and analyses; (5) present facts to or negotiate with governmental agencies; and (6) enter into contracts with any person qualified to render services in formulating and conducting promotional plans or programs.

Officials of the Board believe that a well-planned and well-executed promotional campaign can increase the consumption of lemon products without equally decreasing fresh

lemon consumption. Even though lemon products are to some extent competitive with fresh lemons, these officials feel that both markets can be expanded simultaneously, as has happened in case of several vegetables. However, unlike many other products, fresh lemons are available during all months of the year and do not enjoy a temporary advantage as do products marketed on a highly seasonal basis. Thus, promotion programs are designed to stress the complementary uses of fresh lemons and lemon products.

The Board is authorized to conduct or arrange for research relating to distribution, production, processing, and minimum quality specifications for processed lemon products. The order also authorizes the State Director of Agriculture to investigate and stop any unfair trade practices in the processing, sale or distribution of lemon products.

### LEMON PRORATE PROGRAM

Since June 1, 1941, California lemons for fresh use have been marketed under a Federal program of volume proration, in accordance with the provisions of the Federal Agricultural Agreement Act of 1937. The agreement provides for the regulation of the handling of fresh shipments of lemons grown in California and Arizona. The order is administered by a committee of six members and operates through a hired manager, who carries out the committee's decision.

The "lemon prorate" does not directly attempt to allocate the total seasonal supply of lemons between the fresh and processed markets so as to attain specified objectives of price and returns from the entire crop. However, by regulating the flow of fresh lemon shipments, the lemon prorate influences the price of fresh lemons. Although this order is concerned primarily with the time distribution of fresh shipments, indirect consideration is given to the prices and returns from lemon products.

### ALLOCATION AND BY-PRODUCTS

Before adopting the lemon prorate program, the major marketing organizations in the industry gave some attention to the distribution of the lemon crop among the fresh and processed markets. Sales on the fresh market were regulated so as to attain "remunerative" prices, and the rest of the crop was channeled to the products' outlet. Thus, the industry viewed the lemon products utilization primarily as a by-product or salvage operation.

The major marketing organizations significantly influence the allocations to the fresh and processed outlets by their marketing policy. The largest of these is Sunkist Growers, Inc., Los Angeles, California, which alone handles about 90 percent of the lemon crop. After allocations are made, the entire lemon industry operates within the frameworks of the Federal prorate order for fresh lemons and the State marketing order for lemon products.

Thus, the lemon industry, by combining the various sales policies of the major marketing organizations, the Federal lemon prorate order, and the State order for lemon products, is attempting to allocate the entire crop in order to make the most of the on-tree value of the entire crop. This involves an allocation of fresh sales for both summer and winter lemons as well as allocation of lemons for use in the manufacture and sale of the various processed products.



These products may be classed according to use into two general groups--those used for juice products and those used for citric acid and sodium citrate. The juice products yield a greater value per ton of lemons processed than do the citric acid or sodium citrate. The most important lemon products include the following: Canned or bottled single strength lemon juice; frozen lemonade concentrate; lemon beverage base; citric acid; powdered lemon juice; sodium citrate; lemon oil; cold-pressed or distilled, single strength or concentrated (terpenless) juice; pectin, dried lemon peel, candied lemon peel; marmalade and cattle feed.

### OUTLOOK FOR LEMON PRODUCTS

Although the total volume of lemons going into processing has not increased significantly during the past several years, a larger percentage of lemons has been utilized for processed lemon products of higher value. For example, in 1946-47 about 24 percent of all lemons processed were utilized in juice products contrasted with almost 85 percent in 1949-50. This would indicate that the processing outlet is assuming a changing role in the industry. Consequently, such a change will require more consideration when the Lemon Products Advisory Board allocates lemons to the various lemon product outlets.

The State lemon products marketing order has been in operation since March 1951. Consequently, the effectiveness of the program cannot be fully appraised at this time. Nevertheless, the order appears to be a very sound approach to the lemon marketing problems.

The State lemon products marketing order not only will enable lemon producers to market their lemon products in an orderly manner but will play an important part in the over-all marketing program. It encourages the development of a stable lemon products industry for processing lemons not sold on the fresh market as well as those lemons suitable for the fresh market but likely to depress the price if sold fresh. Officials in the industry are of the opinion that this order will be a big factor in increasing grower returns from lemons.

## THE MARKETING AGREEMENT AND ORDER FOR CALIFORNIA DRIED PRUNES

Following World War II, prune consumption on both the domestic and export markets dropped rapidly, which caused a decrease in grower returns and an accumulation of prune supplies. To cope with the apparent surplus prune problem, growers secured the adoption of a Federal marketing agreement and order for dried prunes. In crop years when the estimated, seasonal-average price falls below parity, the Federal agreement and order provides for volume and quality control on the marketing of prunes. (Parity is that price which allows the producer to buy the same volume of things which he could buy with the price of a pound of prunes during the base period.) However, during crop years when the estimated, seasonal-average price is in excess of parity, the agreement and order provides for quality control only.

The program is administered by a Prune Administrative Committee consisting of 21 members. The Committee is appointed by the Secretary of Agriculture from the nominations of the producers and handlers. Fourteen members of the Committee are producers and seven are handlers.

Of the 14 producer members, one each is nominated from seven production districts from among independent producers -- those not affiliated with cooperatives.

Producers who are members of cooperatives are represented on the Committee in proportion to the total tonnage of prunes they produce. The balance of the 14 producer members are nominated by the independent producers chosen from the seven districts.

Independent handlers and cooperative handlers are represented by the handler members of the Committee in proportion to the total tonnage of prunes handled by each of these two groups. (A handler is the person who processes, packages and otherwise prepares and distributes prunes commercially.)

Twelve members of the Committee, consisting of at least eight producers and four handlers, constitute a quorum. A majority of the members present is required for a passing vote. Recommendations submitted to the Secretary under certain specified provisions of the marketing order require an affirmative vote of at least 16 members.

Before the beginning of each crop year, the Committee prepares and submits to the Secretary of Agriculture a report setting forth its marketing policy for the regulation and handling of prunes in that crop year. This report includes the data and information used by the Committee in the formulation of its marketing policy. In developing the marketing policy, the Committee gives consideration to the following factors:

- (1) The estimated tonnage of prunes from preceding crop years still held by handlers;
- (2) the estimated tonnage of prunes from preceding crop years held by producers and dehydrators;
- (3) the estimated production of prunes in the next crop year;
- (4) an appraisal of the quality and size of prunes of the crop to be produced;
- (5) the estimated tonnage of prunes marketed in recent crop years, segregated by countries as to foreign commerce and segregated by uses as to domestic commerce;





*Fresh prunes on drying trays in Sacramento county, California, as far as eye can see! Prunes are left on the trays to dry in sun from five to eight days before they are ready to pack. About two or two and a quarter pounds of fresh prunes make one pound of dry. A decreasing percentage of prunes are sun dried.*

- (6) the current prices being received for prunes by producers, dehydrators, and handlers;
- (7) the trend and level of consumer income;
- (8) the estimated probable market requirements for prunes in the coming crop year, segregated by countries as to foreign commerce and segregated by uses as to domestic commerce; and
- (9) such other factors as may have a bearing on the marketing of prunes.

#### GRADE AND SIZE REGULATIONS

In order to carry out the policy of the marketing agreement, no handler is permitted to re-



ceive prunes from producers or dehydrators, except in accordance with the terms and conditions of the agreement with respect to grades and sizes. No handler is permitted to receive prunes (standard or substandard) unless they are: properly dried and cured in their original natural condition, without the addition of water; and free from active insect infestation, so that they can be received, stored and packed without deterioration or spoilage. No handler is permitted to receive prunes other than as substandard prunes from producers or dehydrators, unless they meet the minimum standards for natural condition prunes as set forth in the agreement.

### INSPECTION

Each handler is required, at his own expense, to have an inspection made of prunes offered him by any producer or dehydrator. Before accepting any prunes which meet the applicable minimum standards for grades and sizes, each handler is required to obtain a certificate declaring that the prunes do meet the requirements for standard prunes as established by the agreement. Certificates are issued by the Dried Fruit Association of California.<sup>4</sup> Handlers are required to submit these certificates to the Committee with such other instruments and records as the Committee may require. All prunes certified as meeting the requirements are known and referred to as "standard prunes."

Any prunes not meeting the requirements for standard prunes must be turned over unsorted to a handler to be held as substandard natural condition prunes, for the account of the Committee except under certain specified conditions.

Handlers are required to have prunes inspected, before shipping or making a final disposition of them, to make sure they meet the grades and sizes for standard prunes or standard processed prunes. Each handler is also required to submit these certificates as required by the Committee with such other instruments and records as it requires. This inspection is also made by the California Dried Fruit Association at the expense of the handler.

### SALABLE AND SURPLUS PERCENTAGES

After considering all available information and factors used in formulating the marketing policy, the Committee recommends to the Secretary of Agriculture, before July 15, the establishment of a salable percentage and a surplus percentage for the crop year if such is warranted. If the Secretary determines that these percentages will be effective in carrying out the policy of the act, he establishes such percentages.

For the 1951 crop of prunes the Committee recommended the establishment of a salable percentage of 75 percent and a surplus percentage of 25 percent. After consideration of all the information used in formulating the policy, the Committee determined that there would be a surplus in excess of 50,000 tons. Table 2 indicates the Committee's estimated supply, the estimated disappearance and apparent surplus for the 1951 crop of prunes.

The total "salable tonnage of prunes" is the estimated quantity of prunes that could normally be sold to consumers during the crop year and at a price which would bring

<sup>4</sup>The Dried Fruit Association of California is an organization composed of packers engaged in packing and distributing California dried fruit, which performs the following services: (1) inspection of products of member companies at the point and time of shipment, (2) issuing certificates of inspection covering grades of products inspected, (3) adoption of standards for grades of dried fruit products, and (4) development of approved practices designed to promote the interests of their members and the industry.



Table 2:

*CALIFORNIA DRIED PRUNES: Estimated Supply and Disappearance of 1951 Crop Prunes***PRUNE ADMINISTRATIVE COMMITTEE****June 15, 1951 and July 12, 1951****-Short tons-**

ITEMS	UNPROCESSED WEIGHT		PROCESSED WEIGHT	
	June 15 Estimate	July 12 Estimate	June 15 Estimate	July 12 Estimate
<b>ESTIMATED SUPPLY</b>				
Carry over from last crop	23,050	23,585	23,741	24,292
Production	176,285	178,331	181,574	183,681
<b>Total supply</b>	<b>193,335</b>	<b>201,916</b>	<b>205,315</b>	<b>207,973</b>
<b>ESTIMATED DISAPPEARANCE</b>				
Domestic, Canada, commercial outlets	119,757	119,757	123,350	123,350
Commercial exports	7,551	7,551	7,778	7,778
Government purchases	7,282	7,282	7,500	7,500
Carryout	14,563	14,563	15,000	15,000
<b>Total disappearance</b>	<b>149,153</b>	<b>149,153</b>	<b>153,628</b>	<b>153,628</b>
<b>APPARENT SURPLUS</b>	<b>50,182</b>	<b>52,763</b>	<b>51,687</b>	<b>54,345</b>

producers fair and reasonable returns.

The procedures for setting up salable tonnages of prunes prevent substandard prunes from being classed and treated as part of the salable percentage of the crop. Standard prunes may, under certain conditions, be classed and treated as surplus, however.

The producer or dehydrator delivers both standard and substandard prunes to the handler. A producer or dehydrator's "salable portion of prunes" is determined by the following formula:

- (1) The salable percentage set by the Committee for that crop year (in 1951, it was 75 percent);
- (2) plus a credit for the dried weight of standard prunes up to the amount covered by a certificate of diversion, if any.

The balance of the tonnage is the producer or dehydrator's "surplus portion of prunes."

However, if the tonnage of substandard prunes under this formula exceeds the surplus percentage, the actual tonnage of substandard prunes governs. The surplus figure is thus increased and the salable figure equivalently decreased. The result is that all

substandard prunes are classed and treated as surplus.

The handler's "salable tonnage of prunes" is limited to the sum of all salable tonnages delivered to him by producers or dehydrators.

### MARKETING OUTLETS

The following figures indicate how prunes sold on the domestic market were used during the 1949 crop year.

<u>Uses</u>	<u>Short tons, processed weight</u>
Dried prunes	84,019
Juice and concentrated juice	35,582
Pitted prunes	558
Jam, butter	137
Powdered prunes	90
Canned prunes	1,912
Puree, baby food	4,288
Stock feed	<u>21</u>
Total	126,607



*A storage room filled with cartons of prune juice which was processed by a large grower-owned and operated association.*

These figures indicate that about two-thirds of the prunes sold on the domestic market are utilized as dried prunes. They also show that such dried prunes, plus juice and concentrated juice, account for about 95 percent of total domestic sales.

The above figures do not include normal commercial exports, Government purchases, and surplus prunes used for animal feed or surplus prunes purchased by the British. The percentage of total prunes marketed through the following outlets were approximately as follows:

<u>Outlet</u>	<u>1949 crop percent</u>
Domestic, Canada	
Commercial outlets	68
Government purchases	10
Commercial exports	12
As culls by handlers	0
Animal feed (surplus)	5
British purchase (surplus)	<u>5</u>
Total	100

If commercial prune exports could return to their pre-war level there should be no surplus problem in prunes at present. But dollar shortages abroad have caused exports of prunes



to drop off sharply during the past three years. Even with export payments, prune exports have been unable to regain their prewar level.

The Committee in no way controls the sale of the salable tonnage. However, it is responsible for seeing that the salable tonnage meets the size and grade requirements. Although the Committee does not set a price on salable tonnage, the quantity of prunes that is allocated to salable tonnage influences the price. Each handler is free to sell his salable tonnage as he desires so long as he complies with the grade and size regulations of the agreement.

### **DIVERSION PRIVILEGES**

No producer is required to divert any portion of his prunes. He may, however, divert all or a portion of his production of prunes to nonhuman uses. He may divert them by leaving them unharvested, if he cannot get back his cost of producing and handling by selling them. He may divert a part of his crop to nonhuman uses -- usually substandard prunes -- if he can add to his salable portion by doing so. In other words, if he can sell a greater percentage of his standard prunes. He may divert if he gets money more readily through diversion than by placing his prunes in the surplus pool. He may sell his surplus prunes himself if he calculates that such a sale will be more profitable than leaving them for the Committee to dispose of.

The producer is required to apply to the Committee for permission to divert prunes and to state the nature of the diversion and the location of the prunes. If the Committee approves of the application, it advises the applicant in writing of its estimate of how much the prunes would weigh if dried and its approval of the application to divert.

After receiving proof of diversion, the Committee issues the applicant a "diversion certificate" -- the salable percentage for the dried weight of the prunes diverted. This diversion certificate is not transferable except with the approval of the Committee.

The order states that a diversion certificate entitles a producer to deliver to a handler the specified dried weight of prunes, free from all surplus set-aside requirements, leaving a greater percentage of the producer's total delivery to be applied to his salable tonnage. That is, a diversion certificate is credited against his surplus requirement.

Any producer who diverts prunes is not entitled to participate in the proceeds of the surplus tonnage for any prunes so diverted. Before receiving his diversion certificate, a producer is required to pay the Committee for examining, estimating, weighing, or otherwise supervising the diversion.

### **DISPOSITION OF SURPLUS TONNAGE**

The sale of surplus tonnage prunes is handled by the Committee. Prior to sale, each handler is required to hold these prunes for the Committee in proper storage until relieved of such obligation by the Committee. The agreement requires the Committee to dispose of the surplus tonnage through channels other than those used in calculating demand in the existing market outlets when estimating salable tonnage except under certain specified conditions.

Sales may be made by the Committee in the following outlets:

(1) To the U. S. Government and foreign governments. The Committee is authorized to make sales of surplus tonnage to the United States Government or any agency thereof (including, but not limited to, school lunch and institutional feeding, sales for domestic or foreign relief purposes) or for foreign economic assistance to any foreign government. These sales may be made at negotiated prices with adequate consideration to probable processing costs. The committee must furnish the Secretary of Agriculture full information on any proposed offer to sell surplus prunes to a foreign government seven days prior to such offer, during which time the Secretary may disapprove the offer.

(2) Sales for export. If it appears that the total salable tonnage is not sufficient to meet the estimated domestic and foreign requirements due to expansion of foreign markets in countries considered in estimating the salable percentage, the Committee may make sales in these foreign channels in such quantities as are necessary to meet the increased demand. These sales must be at a price at least equal to the average price received by producers for salable tonnage during the current crop year plus accrued charges on surplus tonnage. The Committee may make sales at negotiated prices for export to any foreign country not included in estimating the salable percentage. The Secretary of Agriculture has the right to disapprove proposed sales for export.

(3) Sales for animal feed and certain manufacturing uses. The Committee may sell surplus prunes at negotiated prices for animal feed, distillation or for any manufacturing uses which were not provided for in estimating the salable percentage. The Committee is authorized to take steps which will insure that such prunes are disposed of for the uses for which they are sold.

(4) Sales to handlers. If supply conditions exist which restrict commerce in prunes and if 75 percent of all handlers make a request therefor and such requesting handlers have purchased over 65 percent of the salable tonnage, the Committee may sell standard prunes from the surplus tonnage to handlers. These sales, if the prunes are to be used other than for manufacturing purposes, must be made at a price not below that which reflects the average price received by producers during the current crop year, plus accrued charges on surplus tonnage. Any single sales offer to handlers is limited to 20 percent of the original estimated salable tonnage.

(5) Sales of standard prunes for manufacturing purposes. If it appears that the total salable tonnage is not sufficient to meet the demand as provided for in estimating the salable percentage, the Committee may sell prunes for such manufacturing purposes in which such prunes will lose their form and character as prunes by conversion prior to consumption. No such sale may be made at a price below that which reflects the average price paid to producers for salable tonnage during the crop year plus accrued charges on surplus tonnage. The Committee may also make sales at negotiated prices to manufacturing outlets not included in estimating the salable percentage. The Secretary of Agriculture also has the authority to disapprove these sales.

(6) Sales of substandard prunes for animal feed and for manufacturing purposes. The Committee may sell at negotiated prices substandard prunes for animal feed or for any manufacturing purpose in which such prunes will lose their form and character as prunes by conversion prior to consumption. These prunes must meet quality standards as specified in the agreement and may not be sold for manufacturing purposes for human consumption while standard prunes are available in the surplus tonnage.

(7) Donation of surplus prunes. The Committee may donate limited quantities of surplus prunes for use in research or promotional activities.

The Committee endeavors to sell all prunes in the surplus tonnage prior to July 31 of the



crop year. Any surplus tonnage remaining unsold at that time is disposed of as soon as practicable, at negotiable prices, for animal feed, distillation, or other outlets not competitive with the sale of prunes in normal marketing channels.

### EXPENSES AND PROCEEDS

Expenses incurred by the Committee for the receiving, handling, holding, or disposing of any quantity of surplus tonnage is charged against the proceeds of sales of surplus tonnage. Funds to cover all other expenses of the Committee are acquired by levying assessments. Each handler pays a pro-rata share of the expenses at a rate which is determined by the Secretary of Agriculture.

Any excess funds from assessments is credited to the handlers in proportion to their relative total assessment against assessments in the following crop year, or returned to the handlers upon request.

Net proceeds from the disposition of surplus tonnage is distributed by the Committee to persons in proportion to their contribution. Progress payments may be made by the Committee if sufficient funds accumulate. Distribution of proceeds in connection with surplus tonnage contributed by a cooperative is made to the association if it so requests.

### SUPPLEMENTARY PROGRAMS

#### (1) Federal export program

In order to encourage the exportation of dried prunes from the United States, the U.S. Department of Agriculture has operated an export program which makes payments to exporters who comply with the terms of the program. The exporter must have a firm sales contract covering the sale of dried prunes for exportation to an approved country prior to receiving an export payment.

The rate of the export payment on exports is the lower of (a) rates ranging from 1.45 cents per pound to 3.25 cents per pound depending on size, or (b) 35 percent of the gross sales price as determined by the Secretary of Agriculture. Prunes exported under this program must be inspected by the U.S. Department of Agriculture and can be sold only in specified countries.

The net price of prunes sold to a foreign buyer under this program is established by deducting the applicable rate of export payment under this program from the gross sales price. During the 1951-52 season to March 31, about 28,000 tons of dried prunes were exported under provisions of this program.

(2) California State marketing order In addition to the Federal marketing order, the State of California has a marketing order for dried prunes which provides for collecting an assessment from growers and handlers in order to increase the sale of dried prunes. The order provides for expenditure of this money for the advertising of dried prunes and prune products and for promoting research which will increase the use and sale of prunes.

## APPENDIX

### 1951 AGREEMENT FOR THE MARKETING OF PEACHES FOR PROCESSING

#### THE FARM PRODUCTS MARKETING ACT

O. Reg. 178/51  
1951 Agreement for the Marketing  
of Peaches for Processing.

\*\*\*\*\*

#### ORDER MADE BY THE BOARD UNDER THE FARM PRODUCTS MARKETING ACT

##### Marketing of Peaches for Processing

The Board approves the agreement appended hereto and declares that it is in force.

G. F. PERKIN  
Chairman

(Seal)

F. K. B. SETWART  
Secretary

Dated at Toronto  
this 2nd day of  
August, 1951

#### 1951 AGREEMENT FOR MARKETING OF PEACHES FOR PROCESSING

MEMORANDUM OF AGREEMENT made by the Negotiating Committee for Peaches produced in Ontario in 1951, appointed under the provisions of "The Ontario Peach Growers' Marketing-for-Processing Scheme."

We, the undersigned members of the Negotiating Committee agree and recommend to The Farm Products Marketing Board that the following agreement be approved:

1. The minimum price to be paid by a processor or buyer for the variety of peaches known as Jubilee produced in Ontario during the year 1951, two inches and up, uniformly ripe as nearly as possible, and suitable for processing, shall be at the rate of \$92.50 per ton.
2. The minimum price to be paid by a processor or buyer for the variety of peaches known as Elberta, produced in Ontario during the year 1951, two inches and up, uniformly ripe, as nearly as possible, and suitable for processing shall be at the rate of \$92.50 per ton.
3. The minimum prices to be paid by a processor or buyer for the varieties of peaches known as "V'S" and all other varieties of peaches, except Elbertas and Jubilees, pro-



duced in Ontario during the year 1951, two inches and up, uniformly ripe, as nearly as possible, and suitable for processing, shall be at the rate of \$82.50 per ton.

4. The minimum prices for peaches mentioned in this Agreement shall apply to all peaches produced in Ontario during the year 1951 which are purchased or received by a processor or buyer regardless of the size of any such peaches.

5. A tolerance of 5 per centum shall be allowed.

6. The processors shall pay at least 50 per centum of the purchase price for each variety of peaches named in this Agreement and a record of each grower's statement for such payments shall be forwarded by each processor to the Ontario Peach Growers' Marketing Board on delivery or within fifteen days thereafter. Growers are not required to surrender delivery weigh slips for such advance payment. The balance due shall be paid in full on or before the 15th day of November, 1951, at which time delivery weigh slips shall be surrendered by the growers, if requested.

7. Delivery of the said peaches which are produced in the Niagara District shall be made by the grower or his agent free of delivery charges to any factory located in Hamilton, Burlington or East thereof, in the Niagara Peninsula.

8. In case of a dispute arising as to the suitability of peaches for processing the matter shall be referred to an Inspector appointed under the provisions of The Farm Products Grades and Sales Act, and his decision shall be made in accordance with the provisions of this Agreement.

9. Notwithstanding the provisions of any contract whenever any processor or his representative orders, or arranges with, or instructs any grower to deliver peaches to a factory, warehouse or other premises then the processor shall in every such case pay for such peaches in accordance with the provisions of this Agreement.

DATED at the City of Hamilton this 1st day of August, 1951.

Grower Representatives.

ERNEST CULP  
W. C. NICKERSON  
G. ROSS BRUNER

Processor Representatives.

W. I. DRYNAN  
J. E. H. CUDNEY  
T. W. BRIGHT